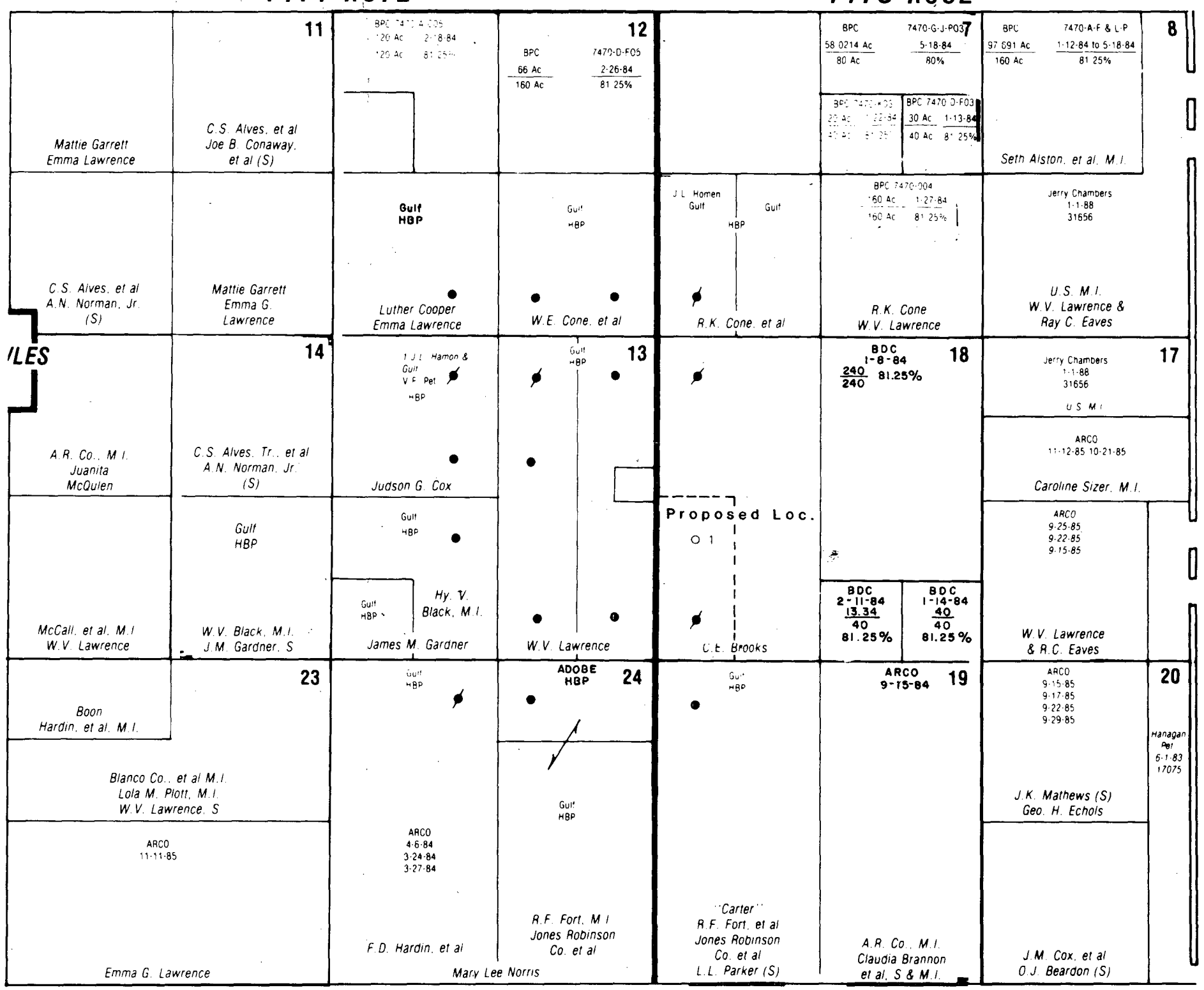


OWNERSHIP W/2 SW/4 SECTION 18

BDC	38.087500 %
ARCO	50.000000 %
Texas Oil & Gas	7.746875 %
Roy G. Barton, Jr.	.312500 %
Opal Barton	.312500 %
Opal Barton & the Est. Roy G. Barton, Sr. Dec.	2.500000 %
Stanford Clinton, Jr. (Unleased Mineral Interest)	1.040625 %
	100.000000 %

only hold out.

OWNERSHIP REMAINDER SECTION 18

BDC	30.340625 %
ARCO	50.000000 %
Texas Oil & Gas	7.746875 %
Roy G. Barton, Jr.	.312500 %
Opal Barton	.312500 %
Opal Barton & the Est. Roy G. Barton, Sr. Dec.	2.500000 %
Stanford Clinton, Jr.	1.040625 %
Southland Royalty	7.746875 %
	100.000000 %

BELCO MIDLAND EXPLORATION DISTRICT
DEVELOPMENT CORPORATION

BRANDYWINE PROSPECT
LEA COUNTY, NEW MEXICO

LAND PLAT

By: Don Peters

Date: 9/83

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
BeLco EXHIBIT NO. 1
CASE NO. 7970

411 Petroleum Building
Midland, Texas 79701
Telephone (915) 683-6366

Belco Development Corporation

Belco

August 4, 1983

WORKING INTEREST OWNERS
(See attached list)

Re: Operating Agreement
W/2 Section 18, T-17-S, R-39-E
Lea County, New Mexico
BDC Brandywine Prospect #7470-AA3

Gentlemen:

Belco has previously proposed to drill a 12,200' Devonian test at a location 1980' FSL & 660' FWL of Section 18, T-17-S, R-39-E, Lea County, New Mexico. The well is to be called the #1 Brooks and it is planned that this well be spudded prior to October 1, 1983, so that it may be completed before year end. With this date less than sixty (60) days away, we ask that you expedite your review and execution of both the attached AFE and Operating Agreement. Your assistance in this regard will be greatly appreciated.

Following your review and approval of the AFE and Operating Agreement, please return two (2) signed signiture pages and one (1) signed copy of the AFE. Should you perceive any problems in the meantime, please call at your earliest convenience.

Yours truly,

Don Peters
Senior Landman

DLP:rjc

Attachments

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Belco EXHIBIT NO. 2
CASE NO. 7970

WORKING INTEREST OWNERS

ARCO Oil & Gas Co.
P. O. Box 1610
Midland, Texas 79701

Attention: Mr. Mike Snyder

Texas Oil & Gas Corp.
900 Wilco Building
Midland, Texas 79701

Attention: Mr. Randy Click

APCOT-FINADEL Joint Venture
P. O. Box 2159
Dallas, Texas 75221

Attention: Land Manager

Roy G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Southland Royalty Company
21 Desta Drive
Midland, Texas 79701

Attention: Mr. Don Davis

Stanford Clinton, Jr.
P. O. Box 25015
Jackson, Wyoming 83001

Opal Barton
P. O. Box 978
Hobbs, New Mexico 88240

450	MARINE PLATFORMS			
452	OFFSHORE PROD. FACILITIES			
	TOTAL TANGIBLE EXPENSE	$ 120,000	$ 338,000	$ 458,000
	TOTAL WELL COST	$ 642,000	$ 457,000	$1,099,000

WORKING INTEREST	PER CENT	CASING POINT	COMPLETED WELL
Stanford Clinton, Jr.	1.040625	$6,680.81	$11,436.47

BELCO APPROVAL	
ENGINEERING	DATE
DIVISION PEL ~~PET~~	DATE 8/5/83
MANAGEMENT	DATE 8/9/83

JOINT INTEREST APPROVAL	
COMPANY	DATE
BY	

REVISION ☐
REV. DT. _____

BELCO PETROLEUM CORPORATION
AUTHORIZATION FOR EXPENDITURE

COMPANY 05
AFE NO. T6263

SO	CHG.	PROPERTY NAME & NUMBER (27)	AUTH. DATE (6)	LOCATION (27)
18		BROOKS #1		1980' FSL & 660' FWL, Sec. 18, T17-S, R-39-E

TYPE OF WORK (23)	P. DEPTH (8)	FORMATION	FIELD NAME	CONTRACTOR	RIG TYPE
DW-Oil	12200'	Devonian	Knowles	Unknown	Rotary

SO.	CHG.	PROSPECT NAME (22)	STATE (15)	COUNTY / PARISH (15)	CORP. W.I. CSG. PT.	CORP. W.I. COMPL.
19		Brandywine	New Mexico	Lea		

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO 20 | CHG. | PROPERTY NO. 7470001

	INTANGIBLE EXPENSE	CSG. PT. COST 730	COMPL. COST 734	TOTAL COST
	Rig Expenditure			
	Move In & Out =			
	Drilling 12200' Ft @ $ 21 /Ft	$256,000		
	Daywork 2 days @ $5000/day =	10,000		
	Completion/W.O. Unit 12 days @ $1200/day =		15,000	
218	Total Rig Expenditure	$ 266,000	$ 15,000	$ 281,000
612	Location - Roads, Row & Damages	20,000	6,000	26,000
204	Contract Professional Services	18,000	8,000	26,000
418	Mud & Additives	50,000	5,000	55,000
220	Mud Logging	12,000	-	12,000
424	Bits	-	2,000	2,000
228	Tubular Testing/Inspection	2,000	8,000	10,000
230	CSG/TBG Crews/Tools	-	2,000	2,000
422	Float Eq., Cent & Scratchers	4,000	3,000	7,000
420	Cement Additives & Pump Trucks	32,000	15,000	47,000
236	Water & Water Hauling	12,000	6,000	18,000
222	Coring & Analysis	-	-	-
224	Elec. Line - Logs, Perf, Production, Etc.	32,000	15,000	47,000
226	Well Testing - DST, Wireline, Etc.	10,000	1,000	11,000
512	Eq. Rntls. - Surface/Downhole	18,000	6,000	24,000
950	Directional Drilling Expense	-	-	-
234	Transportation - Land - Marine	12,000	6,000	18,000
410	Fuel, Power & Water	-	-	-
930	Well Stimulation	-	12,000	12,000
830	Overhead	9,000	3,000	12,000
790	Misc. & Contingency	25,000	6,000	31,000
	TOTAL INTANGIBLE EXPENSE	$ 522,000	$ 119,000	$ 641,000

SO 20 | CHG.

	TANGIBLE EXPENSE	CSG. PT. COST 732	COMPL. COST 736	TOTAL COST
	CSG. & LINER			
	Drive ___ Ft ___ O.D. @ $ ___ /Ft =			
	Cond. ___ Ft ___ O.D. @ $ ___ /Ft =			
	Surf. 400 Ft 13-3/8" O.D. @ $ 25.93 /Ft =	$10,000		
	Intr. 5000 Ft 9-5/8" O.D. @ $ 20.09 /Ft =	100,000		
	Prod. 12200 Ft 5½" O.D. @ $ 12.53 /Ft =	153,000		
	Liner ___ Ft ___ O.D. @ $ ___ /Ft =			
426	TOTAL	$ 110,000	$ 153,000	$ 263,000
432	TUBING 12200 Ft 2-7/8" O.D. @ $ 6.42 /Ft =	78,000		
430	WELLHEAD EQUIPT.	-	78,000	78,000
440	WELL PROD. EQUIPT.-DOWNHOLE & SURFACE	10,000	12,000	22,000
442	PROD. FACILITIES-TANKS, EQUIPT. & LINES	-	80,000	80,000
450	MARINE PLATFORMS	-	15,000	15,000
452	OFFSHORE PROD. FACILITIES			
	TOTAL TANGIBLE EXPENSE	$ 120,000	$ 338,000	$ 458,000
	TOTAL WELL COST	$ 642,000	$ 457,000	$1,099,000

WORKING INTEREST	PER CENT	CASING POINT	COMPLETED WELL
Stanford Clinton, Jr.	1.040625	$6,680.81	$11,436.47

BELCO APPROVAL

ENGINEERING	DATE
DIVISION PE Maria ~~PET~~	DATE 8/5/83
MANAGEMENT Frank D Rowe	DATE 8/9/83

JOINT INTEREST APPROVAL

COMPANY	DATE
BY	

411 Petroleum Building
Midland, Texas 79701
Telephone (915) 683-6366

Belco Development Corporation

Belco

September 7, 1983

WORKING INTEREST OWNERS
(See attached list)

Re: Operating Agreement dated May 12, 1983
covering the W/2 of Section 18, T-17-S, R-39-E
Lea County, New Mexico
Belco #1 Brooks, Brandywine Prospect

Gentlemen:

Attached are the following revised pages to the referenced agreement:

Title Page - Contract Area has been reduced to the W/2 SW/4 Section 18,
Pages 2, 4, 5, 6, 14, 14a and 14b,
Page 14c - should be deleted from your agreement,
Exhibit "A" - Page 1 and 2
Exhibit "B"
Exhibit "C" - Page 1
Exhibit "D"
Exhibit "E" - Page 1
Exhibit "F"
Exhibit "G"

These pages reflect requested changes received from the Working Interest Owners. Please substitute these pages for those in your copy of the referenced Operating Agreement. Belco is still hopeful of spudding this well around October 1, 1983, and therefore, requests that you furnish a signed AFE and signature page to the Operating Agreement at your earliest convenience.

Yours truly,

Don Peters
District Landman

DLP:rjc

Attachments

WORKING INTEREST OWNERS

Atlantic Richfield Company
P.O. Box 1610
Midland, Texas 79701

Attention: Mr. Mike Snyder

Texas Oil and Gas Corporation
900 Wilco Building
Midland, Texas 79701

Attention: Mr. Randy Click

Roy G. Barton, Jr.
P.O. Box 978
Hobbs, New Mexico 88240

Southland Royalty Company
21 Desta Drive
Midland, Texas 79701

Attention: Mr. Don Davis

Stanford Clinton, Jr.
P.O. Box 25015
Jackson, Wyoming 83001

Opal Barton
P.O. Box 978
Hobbs, New Mexico 88240

Estate Of Roy G. Barton, Sr., deceased
P.O. Box 978
Hobbs, New Mexico 88240

411 Petroleum Building
204 W. Texas
Midland, Texas 79701-4663
Telephone (915) 683-6366

Belco Petroleum Corporation

May 24, 1983

Belco

Stanford Clinton, Jr.
P. O. Box 25015
Jackson, Wy 83001

Re: Belco Brooks #1 Location
1980' FSL & 660' FWL
Section 18, T-17-S, R-39-E
Lea County, New Mexico
BPC Brandywine Prospect #7407

Dear Mr. Clinton:

Attached is Belco's Authorization For Expenditure (AFE) representing our estimate of the cost to drill and complete the referenced well. Since you have previously declined Belco's offer to lease your interest, we are now offering you a chance to participate in the drilling of this and subsequent wells in the W 1/2 of Section 18, T-17-S, R-39-E as a working interest partner. You will note that your cost for the referenced well is shown on the AFE, i.e. $7,638.00 for a dry hole and $12,393 for a completed well. These figures are only estimates and may be more.

Also, attached is Belco's proposed Operating Agreement under which the working interest partners will agree to operate the wells drilled in the W 1/2 Section 18. You will note that your interest is shown on Exhibit "A" to the Operating Agreement. We will furnish you with a similar Operating Agreement that has been signed by Belco in the very near future. The attached agreement is for your information until then.

Should you not be interested in participating in this well with Belco and the other working interest partners, and would grant a lease as previously requested, please let us know as soon as possible.

Should you elect not to participate or grant a lease, Belco will be allowed to force pool your interest under New Mexico State Law and seek to recover a 300% penalty against your interest. I think you will find that this is the least attractive alternative available to you. If you have any questions in this regard, I would suggest you contact your attorney.

Yours truly,

BELCO PETROLEUM CORPORATION

Don Peters

Don Peters
Senior Landman

DP/pw

REVISION

REV. DT.

BEL[illegible] PETROLEUM CORPORATIC..

AUTHORIZATION FOR EXPENDITURE

COMPANY 05

AFE NO

CHG	PROPERTY NAME & NUMBER (27)	AUTH DATE (6)	LOCATION (27)
	Brooks #1		1980' FSL & 660' FWL Sec. 18, T-17-S, R-39-E

DW - Oil	12,200	Devonian	Knowles	Unknown	Rotary

CHG	PROSPECT NAME (22)	STATE (15)	COUNTY / PARISH (15)	CORP. W.I. CSG. PT.	CORP. W.I. COMPL.
	Brandywine	New Mexico	Lea		

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

PROPERTY NO.

CHG	INTANGIBLE EXPENSE	CSG. PT. COST 730	COMPL. COST 734	TOTAL COST
	Rig Expenditure			
	Move In & Out = 22,000			
	Drilling ____ Ft @ $ ____ /Ft			
	Daywork 45 days @ 3200 = 144,000			
	Completion/W.O. Unit 12 days @ 1400 = 17,000			
	Total Rig Expenditure	166,000	17,000	183,000
	Location - Roads, Row & Damages	25,000	8,000	33,000
	Contract Professional Services	16,000	12,000	28,000
	Mud & Additives	45,000	10,000	54,000
	Mud Logging	17,000	------	17,000
	Bits	56,000	1,000	57,000
	Tubular Testing/Inspection	3,000	13,000	16,000
	CSG/TBG Crews/Tools	7,000	6,000	13,000
	Float Eq., Cent & Scratchers	6,000	2,000	8,000
	Cement Additives & Pump Trucks	30,000	15,000	45,000
	Water & Water Hauling	14,000	4,000	18,000
	Coring & Analysis	------	------	------
	Elec. Line - Logs, Perf, Production, Etc.	35,000	16,000	51,000
	Well Testing - DST, Wireline, Etc.	10,000	4,000	14,000
	Eq. Rntls. - Surface/Downhole	28,000	9,000	37,000
	Directional Drilling Expense	------	------	------
	Transportation - Land - Marine	14,000	10,000	24,000
	Fuel, Power & Water	54,000	------	54,000
	Well Stimulation	------	20,000	20,000
	Overhead	13,000	4,000	17,000
	Misc. & Contingency	53,000	15,000	68,000
	TOTAL INTANGIBLE EXPENSE	592,000	166,000	758,000

CHG	TANGIBLE EXPENSE	CSG. PT. COST 732	COMPL. COST 736	TOTAL COST
	CSG. & LINER			
	Drive ____ Ft ____ O.D. @ $ ____ /Ft = ____			
	Cond. ____ Ft ____ O.D. @ $ ____ /Ft = ____			
	Surf. 400 Ft 13-3/8" O.D. @ $ 25.93 /Ft = 10,000			
	Intr. 5200 Ft 9-5/8" O.D. @ $ 21.85 /Ft = 114,000			
	Prod. 12200 Ft 5-1/2" O.D. @ $ 11.80 /Ft = 144,000			
	Liner ____ Ft ____ O.D. @ $ ____ /Ft = ____			
	TOTAL	124,000	144,000	268,000
	TUBING 12200 Ft 2-7/8" O.D. @ $ 3.97 /Ft = 48,000	----	48,000	48,000
	WELLHEAD EQUIPT.	18,000	35,000	53,000
	WELL PROD. EQUIPT.-DOWNHOLE & SURFACE	------	50,00	50,000
	PROD. FACILITIES-TANKS, EQUIPT. & LINES	-------	14,000	14,000
	MARINE PLATFORMS	-----	------	----
	OFFSHORE PROD. FACILITIES	-----	------	-----
	TOTAL TANGIBLE EXPENSE	142,000	291,000	433,000
	TOTAL WELL COST	734,000	457,000	1,191,000

WORKING INTEREST	PER CENT	CASING POINT	COMPLETED WELL
Stanford Clinton, Jr.	1.040625%	$7,638	$12,393

BELCO APPROVAL	
ENGINEERING	DATE
DIVISION PEI	DATE 4/8/83
MANAGEMENT	DATE

JOINT INTEREST APPROVAL	
COMPANY	DATE
BY	

411 Petroleum Building
204 W Texas
Midland, Texas 79701-4663
Telephone (915) 683-6366

Belco Petroleum Corporation

January 24, 1983

2nd contact

Stanford Clinton, Jr.
P. O. Box 25015
Jackson, Wy 83001

Re: Brandywine Prospect
W/2 Section 18, T17S, R39E
Lea County, New Mexico

Dear Mr. Clinton:

Thank you for the opportunity of allowing Belco to discuss with you our desire to lease your mineral interest in the above captioned land. Belco proposes to drill a 12,200' Siluro-Devonian well and have now leased all of the W/2 of Section 18 with the exception of your 3.3334 net acres.

We are preparing to raise our offer to $150.00 per acre for a term of three years which would result in a total of $500.01. (Bruce Clinton and Stanford Clinton Sr. leased at $100.00. A price of $150.00 per acre is considered top price in this area.) In fulfilling the requirements and obligations of our lease, Belco must drill a well or, at the end of each lease year, pay you $1.00 per acre as delay rental and cover the privilege of not drilling for one year from this date. At the end of the third year, if Belco is not holding your lease by a producing well, your lease will revert back to you.

As you asked me to explain, we offer a total of 3/16 royalty to the lessors owning acreage in this one-half section. Being as you own a 3.3334 net acres in the gross 320 acre tract, your revenue interest in the unit would be as follows:

3/16 x 3.3334 ÷ 320 = .001953 Revenue Interest

In other words, if this well should be productive at 4,500 barrels per month with an estimated price of oil at $31.00 per barrel (4,500 x $31.00 = $139,500), your .001953 Revenue Interest of $139,500.00 would be $272.44 per month with no expense of drilling or operating such well.

Please feel free to call should you have any questions concerning this lease acquisition. I will be glad to furnish you with a lease and draft for the bonus consideration should you be interested.

Thank you for your consideration and cooperation.

declined to lease

Yours very truly,

BELCO PETROLEUM CORPORATION

Mary R. Ward
District Landman

By: Pat Word

411 Petroleum Building
204 W. Texas
Midland, Texas 79701
Telephone (915) 683-6366

Belco Petroleum Corporation

Belco

January 9, 1981

Mr. Stanford Clinton Jr.
P. O. Box 1188
San Luis Obispo, California 93406

Re: Brandywine Prospect
W/2 Section 18, T-17-S, R-39-E
Lea County, New Mexico

Dear Mr. Clinton:

According to my information you have agreed to consider granting Belco Petroleum Corporation an oil and gas lease covering your mineral interest in the captioned land. I will appreciate it if you will consider this our firm offer for a three-year oil and gas lease, 3/16ths royalty, $1 per acre annual delay rentals and for a bonus consideration of $75 per acre for your 3.3334 net mineral acre interest, thus making a total bonus consideration of $250.00.

If this offer meets with your approval please drop me a line or call collect at the above number and I will forward our lease and draft for your approval and execution. Thank you again for your consideration.

Yours very truly,

BELCO PETROLEUM CORPORATION

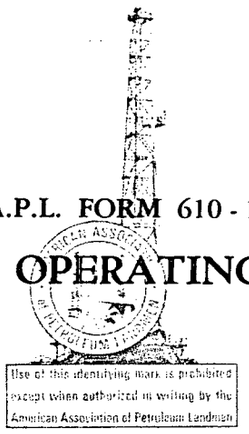
Mary Ward
District Landman

MW:lb

respond that he was not interested

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

MODEL FORM OPERATING AGREEMENT



BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Belco EXHIBIT NO. 3
CASE NO. 7990

OPERATING AGREEMENT

DATED

May 12, 1983,

OPERATOR BELCO PETROLEUM CORPORATION

CONTRACT AREA W 1/2 of the SW 1/4 of Section 18, T-17-S, R-39-E,

N.M.P.M.

COUNTY OR PARISH OF Lea STATE OF New Mexico

TABLE OF CONTENTS

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between _____
BELCO 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:

[X] 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.

[X] B. Exhibit "B", Form of Lease.

[X] C. Exhibit "C", Accounting Procedure.

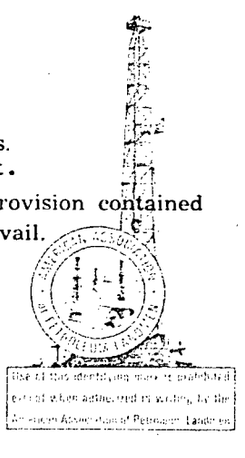
[X] D. Exhibit "D", Insurance.

[X] E. Exhibit "E", Gas Balancing Agreement.

[X] F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

X G. Exhibit "G", Land Plat Identifying an Area of Mutual Interest.

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:

Exhibit "A" 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 Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the~~ 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~~ for 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 all 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

*except when such costs are incurred in connection with an operation conducted under Article VI B.2: in which event, such costs are to be borne by the drilling parties in the proportions elected by each drilling party.

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:

BELCO 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 counting the interests 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 counting the interests 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 1st day of December, 1983, Operator shall commence the drilling of a well for oil and gas at the following location:

1980' FSL & 660' FWL of Section 18, T-17-S, R-39-E, N.M.P.M.
Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to 12,200' or a depth sufficient to adequately test the Devonian formation, whichever is the lesser depth

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

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

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the 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, 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.

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

D. Access to Contract Area and Information:

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.

including reasonable attorney fees in the event of suit to collect any delinquency,

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 Twenty-five Thousand and No/100 Dollars ($ 25,000.00) 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 Twenty-five Thousand and No/100 Dollars ($ 25,000.00).

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 three-sixteenths 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.

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

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

G. Taxes: (Subject to Article XV., paragraph A.)

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 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 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 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 and no/100---------- 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 90 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 60 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. Distribution of Royalty Gas:

It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Unit Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Unit, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties harmless for its failure to do so. If a lease is owned in undivided interests, the leasehold owners under such lease shall designate a single party to receive and to pay or cause to be paid all royalty due under such lease and to hold all other parties hereto harmless for failure to do so.

B. Articles VI.B, Subsequent Operations, and VII.D, Limitations of Expenditures, is amended to include "sidetracking and testing" in those operations listed on page 5 in lines 4, 6, 11, 46, 50 & 70; on page 6 in lines 19, 22, 29, 49 & 60; and on page 9 in lines 3, 4, 7, 10, 19 & 31, and to include "reworking" in line 29 on page 6.

C. It is specifically provided that no notice shall be given under Article VI.B.2 which proposes the drilling of more than one well. Further, the provisions of said Article VI.B.2, insofar as same pertains to notification by a party of its desire to drill a well, shall be suspended for so long as (1) 60 days have not elapsed since completion of the previous well drilled under this agreement, or (2) a prior notice has been given which is still in force and effect and the period of time during which the well regarding same may be commenced has not expired, or (3) a well is presently drilling hereunder. This paragraph shall not apply under those circumstances where (1) the well to which notice is directed is a well which is required under the terms of a lease or contract or one required to maintain a lease or a portion thereof in force or (2) all parties to this agreement have agreed to waive enforcement of this paragraph.

D. It is agreed that without the mutual consent of all parties, no reworking or other operations shall be conducted under the provisions of Article VI.B.2 hereof so long as any completion is producing in commercial quantities in the well with respect to which such proposal is made.

E. The provisions of this paragraph set forth below shall take precedence over any provisions in the Operating Agreement which may be in conflict therewith, including without limitation, any conflicting provisions in Articles VI.B.2, VII.D; and XV.A:

> "It is agreed that where a well, which has been authorized under the terms of this agreement by all parties, or by one or more but less than all parties under Article VI.B.2, shall have been drilled to the objective depth or the objective formation, whichever is deepest, and the parties participating in the well cannot mutually agree upon the sequence and timing of further operations regarding said well, the following elections shall control in the order enumerated hereafter: (1) An election to do additional logging, coring or testing; (2) An election to attempt to complete the well at either the objective depth or objective formation; (3) An election to deepen said well; (4) An election to plug back and attempt to complete said well;
>
> "It is provided, however, that if at the time said participating parties are considering any of the above elections the hole is in such a condition that a reasonably prudent operator would not conduct the operations comtemplated by the particular election involved for fear of placing the hole in jeopardy or losing the same prior to completing the well in the objective depth or objective formation, such an election shall not be given the priority hereinabove set forth."

F. In addition to the other reports, data and information to be provided each of the Non-Operators pursuant to Article VI.B.2 above, Operator shall provide each Non-Operator so requesting current daily (including Saturdays, Sundays and holidays) drilling reports. Such reports shall be rendered each day and cover activities occurring the previous day. The report shall be delivered by telephone, telex or telecopies to the person or alternate designated for such purpose in the Non-Operator's request for such report. Further, upon request, Operator shall designate one or more technically competent representatives to answer the Non-Operator's questions concerning drilling operations or day-to-day operations of a significant nature. The names, with residence and office telephone numbers, of the designees shall be provided Non-Operators prior to the commencement of the drilling operations.

G. Exhibit "G" which is attached hereto and made a part hereof shows certain lands lying within an area enclosed by a heavy black line, which area the parties have agreed shall be an Area of Mutual Interest. In the event any oil and gas leasehold interests or contractual rights to earn interests therein are acquired by any party hereto, by purchase, assignment or otherwise, in the acreage lying within the Area of Mutual Interest following the date of this agreement with the exception of acreage in the W/2 Section 18, T17S, R39E, N.M.P.M., Lea County, New Mexico, the acquiring party shall, in writing, offer to assign to the non-acquiring parties within fifteen (15) days of acquisition, without warranty of title, either express or implied, except as to claims of all persons claiming or to claim the same or any part thereof by, through and under the assigning party, but not otherwise, an interest equal to the non-acquiring party's interest as shown on Exhibit "A". Such notice shall include a copy of the lease or contract, paid draft and any other pertinent and available data. The Non-acquiring party shall have fifteen (15) days after receipt of such offer, or within twenty-four (24) hours thereafter when there is a well drilling in the area which will affect the value of the interest offered, within which to elect to purchase such interest by paying to the acquiring party such non-acquiring party's proportionate part of the actual cost and expense incurred by the acquiring party in acquiring such lease or contract. In the event a part of the consideration concerning the cost of acquisition requires the drilling of an oil or gas well prior to earning an assignment of any oil or gas leasehold interests, for the purpose of this paragraph it shall be considered that such oil and gas leasehold interests have been acquired and the offer shall be made as soon as the agreement to acquire the same has been executed. Failure of non-acquiring party to notify acquiring party shall be deemed an election not to acquire an interest. When any non-acquiring party elects not to acquire an interest from the acquiring party, such lease or contract shall thereafter by held free and clear of the terms and conditions of this agreement by the acquiring party or parties. Acquiring parties shall acquire the interest of the party or parties electing not to acquire an interest in the proportions that the respective interests of the acquiring parties, as shown in Exhibit "A", bear to the total interest of all acquiring parties, and the cost of acquiring such lease

or contract shall be borne by the acquiring parties in such proportions. The Area of Mutual Interest shall remain in effect only for a period of three (3) years from the date hereof, or until May 12, 1986.

H. Any lease or interest therein within the Area of Mutual Interest acquired or owned by more than one but less than all the parties hereto and therefore not subject to this agreement shall be deemed to be subject to an agreement identical to this changed only to reflect owners and percentages. However, should Operator hereunder elect not to acquire an interest in any acquisition, the acquiring party with the majority interest shall be named Operator of said new agreement.

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

Attached to and made a part of that certain Operating Agreement dated May 12, 1983, by and between Belco Petroleum Corporation, as Operator, and Atlantic Richfield Company, et al, as Non-Operators.

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 May, 19 83.

OPERATOR

DEVELOPMENT
BELCO ~~PETROLEUM~~ CORPORATION

BY: R. A. Grinstead
R. A. Grinstead, Vice President

NON-OPERATORS

SOUTHLAND ROYALTY COMPANY

BY: _____

_____
STANFORD CLINTON, JR.

_____
OPAL BARTON, INDIVIDUALLY and as PERSONAL REPRESENTATIVE of the ESTATE of ROY G. BARTON, SR., deceased.

~~ARCO~~ ATLANTIC RICHFIELD COMPANY

BY: _____
Attorney in Fact

TEXAS OIL & GAS CORP.

BY: _____

~~ARCO EXPLORATION~~ JOINT VENTURE

BY: _____

_____
ROY G. BARTON, JR.

_____
OPAL BARTON, as her separate property

MS
AH/C
RR

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on September 22, 1983, by Billy C. Anderson, Attorney in fact for Atlantic Richfield Company, a Pennsylvania corporation, on behalf of said corporation.

Kathryn Mandeville KATHRYN MANDEVILLE
Notary Public in and for
State of Texas

My Commission expires

2-23-85

ARTICLE XVI.
MISCELLANEOUS

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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 May, 19 83.

OPERATOR

BELCO PETROLEUM CORPORATION

BY: _____
R. A. Grinstead, Vice President

NON-OPERATORS

SOUTHLAND ROYALTY COMPANY

BY: _____

STANFORD CLINTON, JR.

ARCO OIL & GAS CO.

BY: _____

TXO PRODUCTION CORP.

BY: _____
John D. Huppler, Vice President

ROY G. BARTON, JR.

OPAL BARTON

ARTICLE XVI.
MISCELLANEOUS

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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 May, 19 83.

OPERATOR

BELCO DEVELOPMENT CORPORATION

BY: R. A. Grinstead
R. A. Grinstead, Vice President

NON-OPERATORS

SOUTHLAND ROYALTY COMPANY

BY: _____

STANFORD CLINTON, JR.

Opal Barton
OPAL BARTON, INDIVIDUALLY and as PERSONAL REPRESENTATIVE of the ESTATE of ROY G. BARTON, SR., deceased.

ATLANTIC RICHFIELD COMPANY

BY: _____

TEXAS OIL & GAS CORP.

BY: _____

BY: _____

ROY G. BARTON, JR.

Opal Barton
OPAL BARTON, as her separate property

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 May, 19 83.

OPERATOR

DEVELOPMENT
BELCO ~~REXRDXLXXX~~ CORPORATION

BY: R. A. Grinstead
R. A. Grinstead, Vice President

NON-OPERATORS

SOUTHLAND ROYALTY COMPANY

BY: _____

STANFORD CLINTON, JR.

OPAL BARTON, INDIVIDUALLY and as PERSONAL REPRESENTATIVE of the ESTATE of ROY G. BARTON, SR., deceased.

~~ARCDXDXLXX&XGASXXX~~
ATLANTIC RICHFIELD COMPANY

BY: _____

TEXAS OIL & GAS CORP.

BY: _____

~~ARCDXXFXPADEXXXXINTXWESTXXE~~

BY: _____

ROY G. BARTON, JR.

OPAL BARTON, as her separate property

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated May 12, 1983, by and between Belco Petroleum Corporation, as Operator, and Atlantic Richfield Company, et al, as Non-Operators.

I. Lands subject to Operating Agreement:

W 1/2 of the SW 1/4 of Section 18, T-17-S, R-39-E, N.M.P.M.
Lea County, New Mexico

II. Depth Restrictions:

Surface to 12,200' or the base of the Devonian formation, whichever is the lesser depth.

III. Working Interest Participation of the Parties:

Party	Before Payout	After Payout*
Belco Petroleum Corporation	38.087500%	36.150782%
Atlantic Richfield Company	50.000000%	50.000000%
Texas Oil and Gas Corporation	7.746875%	7.746875%
Roy G. Barton, Jr.	.312500%	.312500%
Opal Barton, as her separate property	.312500%	.312500%
Opal Barton, Individually and as Personal Representative of the Estate of Roy G. Barton, Sr., deceased	2.500000%	2.500000%
Southland Royalty Company	-0-	1.936718%
Stanford Clinton, Jr.	1.040625%	1.040625%
	100.000000%	100.000000%

* Assumes Southlands' conversion, under lease agreement to Belco, of a 1/16th royalty interest to a working interest of 25% after payout, proportionately reduced.

IV. Unleased mineral interest owners and their interest:

Atlantic Richfield Company	50.000000%
Southland Royalty Company	7.746875%
Stanford Clinton, Jr.	1.040625%
Roy G. Barton, Jr.	.312500%
Opal Barton, as her separate property	.312500%
Opal Barton, Individually and as Personal Representative of the Estate of Roy G. Barton, Sr., deceased	2.500000%

V. Schedule of Leases Committed to this Agreement:

See Exhibit "A", Page Three

Working Interest Owners and their Addresses:

Atlantic Richfield Company
P.O. Box 1610
Midland, Texas 79701
Attention: Mr. Mike Snyder

Texas Oil and Gas Corporation
900 Wilco Building
Midland, Texas 79701
Attention: Mr. Randy Click

Southland Royalty Company
21 Desta Drive
Midland, Texas 79701
Attention: Mr. Dennis Sledge

Belco Petroleum Corporation
411 Petroleum Building
Midland, Texas 79701
Attention: Mr. Don Peters

Stanford Clinton, Jr.
P.O. Box 25015
Jackson, Wyoming 83001

Opal Barton
P.O. Box 978
Hobbs, New Mexico 88240

Roy G. Barton, Jr.
P.O. Box 978
Hobbs, New Mexico 88240

Opal Barton, Individually and as
Personal Representative of the Estate
of Roy G. Barton, Sr., deceased
P.O. Box 978
Hobbs, New Mexico 88240

SCHEDULE OF LEASES

EXHIBIT "A" Page Three

BPC Lease No.	Date of Lease	Lessor	Recorded Book - Page	Acres Gross	Acres Net	Description	Term
7470-A01	1-8-81	Mary Elizabeth McMath.	334 795	320	4.17	W/2 Section 18, T17S R39E	3 years
7470-B01	1-8-81	Mary Jane Mohler Corbin	334 797	320	4.17	W/2 Section 18, T17S R39E	3 years
7470-C01	1-9-81	Mary C. Vyskocil	334 799	320	3.34	W/2 Section 18, T17S R39E	3 years
7470-D01	1-12-81	Thelma A. Webber, a widow, as seperate property and New Mexico Bank & Trust, Testamentary Trustee for Bruce Aline Carlin and Alta Faye Klein U/W of James Virgil Linam, by George Stanley	335 579	320	40.00	W/2 Section 18, T17S R39E	3 years
7470-F01	1-19-81	Horton Aldred & wife, Dora Aldred	335 584	320	4.17	W/2 Section 18, T17S R39E	3 years
7470-G01	2-16-81	Rosemary Hinds Darby	335 610	320	3.54	W/2 Section 18, T17S R39E	3 years
7470-H01	2-16-81	Bruce E. Clinton	336 235	320	3.33	W/2 Section 18, T17S R39E	3 years
7470-J01	2-16-81	Stanford Clinton, Sr and wife Zylpha Clinton	336 237	320	6.67	W/2 Section 18, T17S R39E	3 years
7470-K01	2-20-81	Patricia Kirkwood Harris	343 872	320	3.54	W/2 Section 18, T17S R39E	3 years
7470-L01	9-30-81	Ann Mohler		320	4.17	W/2 Section 18, T17S R39E	3 years
470-M01	5-25-83	The William K. Warren Foundation		320	20.00	W/2 Section 18, T17S R39E	2 years 234 days
Texas Oil & Gas Corp.	5-13-81	B. S. Brants and Hamilton Rogers, Trustees as Lessor, Texas Oil & Gas Corp. as Lessee	339 176	320	24.79	W/2 Section 18, T17S R39E as amended	3 years

Attached to and made a part of that certain Operating Agreement dated May 12, 1983, by and between Belco Petroleum Corporation, as Operator, and Atlantic Richfield Company, et al, as Non-Operators.

OIL AND GAS LEASE

EXHIBIT "B"

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

_____

_____

as Lessor, and

as Lessee, WITNESSETH:

1. Lessor in consideration of Ten and No/100 Dollars ($10.00) in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee, for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, the following described land in _____ County, Texas, to-wit:

and containing _____ acres, more or less. In the event a resurvey of said lands shall reveal the existence of excess and/or vacant lands lying adjacent to the lands above described and the Lessor, his heirs, or assigns, shall by virtue of his ownership of the lands above described, have preferential right to acquire said excess and/or vacant lands, then in that event this lease shall cover and include all such excess and/or vacant lands which the Lessor, its successors or assigns, shall have the preference right to acquire by virtue of its ownership of the lands above described as and when acquired by the Lessor; and the Lessee shall pay the Lessor for such excess and/or vacant lands at the same rate per acre as the cash consideration paid for the acreage hereinabove mentioned.

2. Subject to the other provisions herein contained, this lease shall be for a term of 180 from this date (called "primary term") and as long thereafter as oil or gas is produced from said land hereunder.

3. The royalties to be paid Lessor are: (a) on oil, three sixteenths (3/16) of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; and (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the well of three sixteenths (3/16) of the gas so sold or used, provided that on gas sold at the wells, the royalty shall be three sixteenths (3/16) of the amount realized from such sale; where gas from a well producing gas only is not sold or used, Lessee may pay as annual royalty, commencing ninety (90) days after such well is first shut in, the sum of 1.00 per acre per well per year, and upon such payment it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; provided, however, that such shut in payments shall not continue this lease in force for any consecutive period of more than two (2) years. Lessee shall have free use of oil, gas, coal, wood and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. If prior to discovery of oil or gas on said land, Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or re-working operations within sixty (60) days thereafter. If at the expiration of the primary term, oil or gas is not being produced on said land, but Lessee is then engaged in drilling or re-working operations thereon, the lease shall remain in force so long as operations on said well or for drilling or re-working of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

5. Lessee shall have the right at any time until six months after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without Lessor's consent.

6. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns, but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No sale or assignment by either party shall be binding on the other party hereto until such party shall have been furnished with a certified copy of recorded instrument evidencing same. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

7. Lessor herein makes no warranty of title, either express or implied. Lessor hereby agrees that Lessee at its option may discharge any tax, mortgage, or other lien upon said land and in the event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. It is agreed that if Lessor owns an interest in said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately.

8. If any operation permitted or required hereunder, or the performance by Lessee of any covenant, agreement or requirement hereof is delayed or interrupted directly or indirectly by any past or future acts, orders, regulations, or requirements of the Government of the United States or of any state or other governmental body, or any agency, officer, representative or authority of any of them, the period of such delay or interruption shall not be counted against the Lessee, and the primary term of this lease shall automatically be extended after the expiration of the primary term set forth in Section 2 above, so long as the cause or causes for such delay or interruptions continue and for a period of six (6) months thereafter; and such extended term shall constitute and shall be considered for the purposes of this lease as a part of the primary term hereof. The Lessee shall not be liable to Lessor in damages for failure to perform any operation permitted or required hereunder or to comply with any covenant, agreement, or requirement hereof during the time Lessee is relieved from the obligations to comply with such covenants, agreements, or requirements.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

_____

_____

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

KraftBilt 601, TULSA 74101

EXHIBIT " C "

Attached to and made a part of Operating Agreement dated May 12, 1983 by and between Belco Petroleum Corporation, as Operator, and Atlantic Richfield Company, et al, as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies 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 ~~xxxxx~~ two over prime percent (~~x~~2%) 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. Prime will be as established by Morgan Guaranty Bank & Trust of New York City, N. Y.

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/three per cent (23%), or the percent most recently recommended by the Council of Petroleum Accountant Societies of America.

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:

(X) 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 $ 4,500.00

Producing Well Rate $ 450.00

(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 :

A. 5 % of total costs if such costs are more than $ 25,000 but less than $ 100,000 ; plus

B. 3 % of total costs in excess of $ 100,000 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.

Attached to and made a part of that certain Operating Agreement dated May 12, 1983, by and between Belco Petroleum Corporation, as Operator, and Atlantic Richfield Company, et al, as Non-Operators.

EXHIBIT "D"

INSURANCE

Operator will carry, or cause to be carried, at the joint expense, that is, on a pro rata basis, of the parties in interest in the Unit Area, the following insurance covering all operations in the Unit Area:

(a) Workman's Compensation Insurance, including Employer's Liability, in accordance with the laws of the State where operations are being conducted;

(b) Comprehensive General Public Liability with bodily injury limits of $100,000.00 for any one person and $300,000.00 for any one accident; and property damage limits of $100,000.00 for any one accident and $300,000.00 aggregate;

(c) Automobile Public Liability with bodily injury limits of $100,000.00 for any one person and $300,000.00 for any one accident; and property damage limits of $100,000.00 for each accident; said insurance to cover "owned", "not owned" and "hired" automobiles,

in connection with which it is understood that Operator shall have no obligation to carry any insurance, other than that afore-recited, on operations in the Unit Area unless requested in writing to do so by all of the parties in interest in the leases covering such area. It is further understood that in the event Operator cannot for any reason procure the afore-recited insurance covering operations in the Unit Area, then it will have no liability and/or responsibility for failure to carry such insurance provided it promptly notifies the parties in interest in such area of its inability to so procure such insurance coverage.

If Operator carries blanket insurance coverage on item (b) above, it shall charge the joint account a flat rate of $500.00 per annum for such coverage. Such flat rate charge shall be reviewed annually and adjustments made to reflect then current insurance rates for such coverage.

EXHIBIT "E"

GAS STORAGE AGREEMENT
Attached to and made a part of the Operating Agreement between Belco Petroleum Corporation as Operator and Atlantic Richfield Company, et al, Non-operators, dated May 12, 1983.

The parties to the Operating Agreement to which this gas storage agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not able to market its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which is unable at any time while this agreement is in effect to take the share of gas attributable to the interest of such party, the terms of this storage agreement shall automatically become effective.

During the period or periods when any party hereto has no market for its share of gas produced from the Unit Area, or its purchaser is unable to take its share of gas produced from the Unit Area, the other parties shall be entitled to produce each month one hundred percent of the allowable gas production assigned to such Unit by the New Mexico Oil Conservation Commission and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this gas storage agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser. Each party unable to market its share of the gas produced shall be credited with gas in storage equal to its share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, and the total quantity of liquid hydrocarbons recovered therefrom.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only, of such gas production. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its share of the gas produced from the Unit Area. In addition to its share, each party, including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to a purchaser a volume of gas equal to its share plus fifty percent of the overproduced party or parties' share of gas produced from the Unit Area. If two or more parties are entitled to the fifty percent of the overproduced party or parties' share of gas produced, they shall divide such fifty percent in accordance with their percentage of participation in the Unit.

In the event production of gas from the Unit Area permanently ceases prior to the time that the accounts of the parties have been balanced, it is agreed that a complete balancing will be accomplished by a money settlement as between the parties. Such settlement shall be based upon the price received by the overproduced party or parties for the overproduced gas which was sold by such party in the order of accrual.

Notwithstanding the provisions of the last preceding paragraph, it is expressly agreed that any underproduced party hereunder shall have the optional right, with respect to each proration unit separately, to receive a cash settlement bringing such underproduced party's gas account into balance at any time prior to the permanent discontinuance of gas production, by first giving each overproduced party ninety (90) days written notice of demand for cash settlement. If such option is so exercised, settlement shall be made (as of 7:00 o'clock A.M. on the 1st day of the calendar month following the date of such written demands) within ninety (90) days following the actual receipt of such written demands by the overproduced

parties, in the same manner provided in the last preceding paragraph hereof. The optional right provided for in this paragraph can only be exercised one (1) time by any particular underproduced party on the same proration unit; and each underproduced party agrees that it will not exercise such option unless it is of the opinion that the remaining underproduced recoverable gas reserves are inadequate for its gas account to be brought into balance by actual production prior to permanent discontinuance of gas production from such proration unit.

This agreement shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

Attached to and made a part of that certain Operating Agreement dated May 12, 1983 between Belco Petroleum Corporation as Operator and Atlantic Richfield Company, et al, as Non-Operators.

EXHIBIT "F"

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the Operator (meaning and referring separately to each party hereto) agrees as follows:

1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided setting forth the provisions of this non-discrimination clause.

2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

3) The Operator will send to each labor union or representative of workers with which Operator has a collective bargaining agreement or other contract or understanding, a notice to be provided, advising the said labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to Operator's books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

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

Operator acknowledges that Operator may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with the appropriate agency within 30 days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that Operator may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply each other party hereto with a copy of such program if so requested.

CERTIFICATION OF NONSEGREGATED FACILITIES

By entering into this contract, the Operator certifies that Operator does not and will not maintain or provide for Operator's employees any segregated facilities at any of Operator's establishments, and that Operator does not and will not permit Operator's employees to perform their services at any location, under Operator's control, where segregated facilities are maintained. The Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. Operator further agrees that (except where Operator has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Operator will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that Operator will retain such certifications in Operator's files and that Operator will forward the following notice to such proposed contractors and subcontractors (except where the proposed contractors or subcontractors have submitted identical certifications for specific time periods): Notice to prospective contractors and subcontractors of requirement for certifications of nonsegregated facilities. A Certificate of Nonsegregated Facilities must be submitted prior to the award of a contract or subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

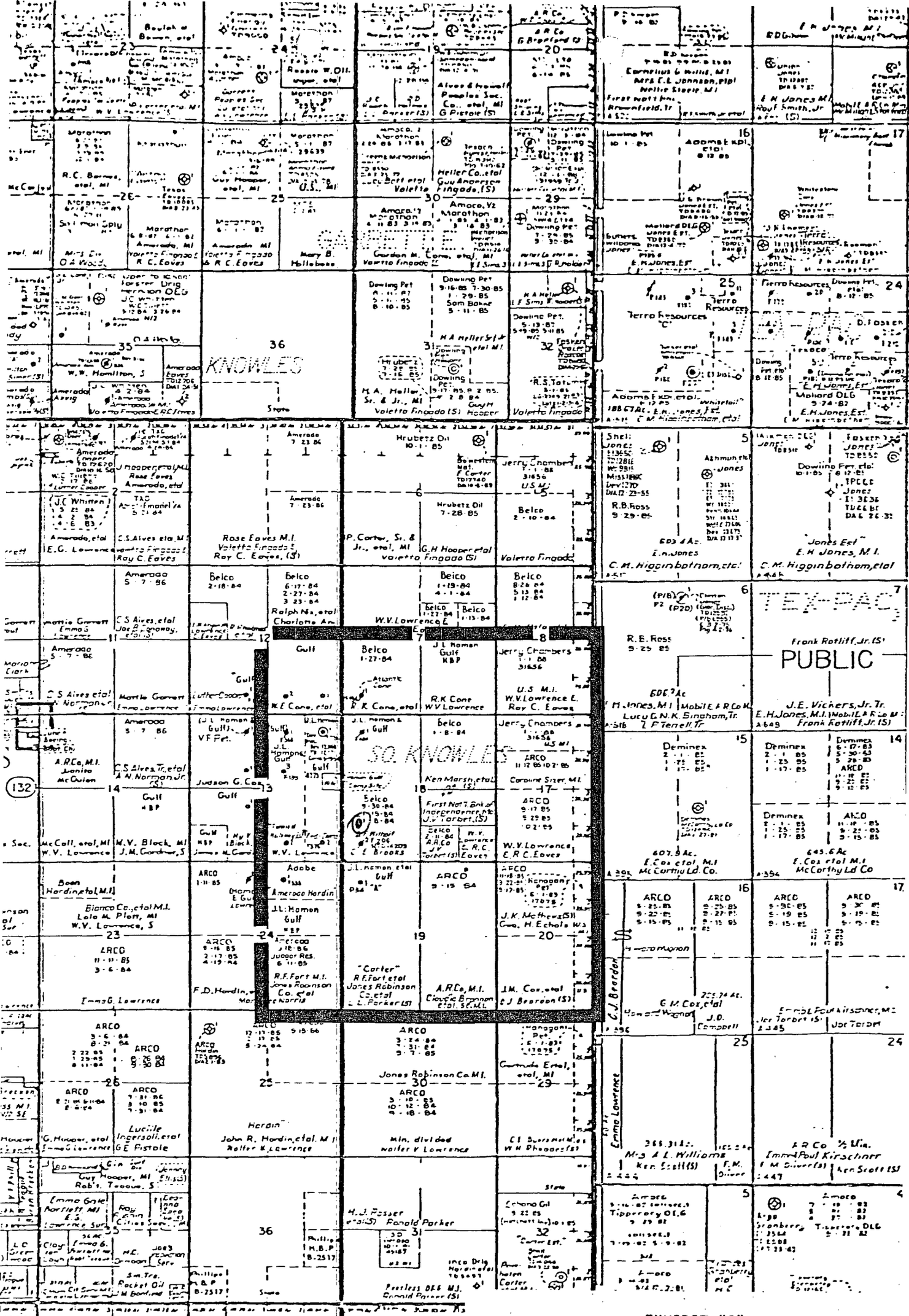

EXHIBIT "G"

Area of Mutual Interest
to
Operating Agreement dated May 12, 1983,
between Belco Petroleum Corporation,
Operator, and Atlantic Richfield Company,
et al, as Non-Operators.

Rev. 9-83

REVISION ☐ REV. DT. _____

BELCO PETROLEUM CORPORATION
AUTHORIZATION FOR EXPENDITURE

COMPANY 05 AFE NO. T6263

SO.	CHG.	PROPERTY NAME & NUMBER (27)	AUTH. DATE (6)	LOCATION (27)
18		BROOKS #1		1980' FSL & 660' FWL, Sec. 18, T17-S, R-39-E

TYPE OF WORK (23)	P. DEPTH (8)	FORMATION	FIELD NAME	CONTRACTOR	RIG TYPE
DW-Oil	12200'	Devonian	Knowles	Unknown	Rotary

SO.	CHG.	PROSPECT NAME (22)	STATE (15)	COUNTY / PARISH (15)	CORP. W.I. CSG. PT.	CORP. W.I. COMPL.
19		Brandywine	New Mexico	Lea		

NO MORE THAN NINE DIGITS PER COLUMN-WHOLE DOLLARS ONLY

SO. 20 CHG. PROPERTY NO. 7470001

INTANGIBLE EXPENSE

		CSG. PT. COST (730)	COMPL. COST (734)	TOTAL COST
	Rig Expenditure			
	Move In & Out =			
	Drilling 12200' Ft. @ $ 21 /Ft.	$256,000		
	Daywork 2 days @ $5000/day =	10,000		
	Completion/W.O. Unit 12 days @ $1200/day =	15,000		
218	Total Rig Expenditure	$ 266,000	$ 15,000	$ 281,000
612	Location - Roads, Row & Damages	20,000	6,000	26,000
204	Contract Professional Services	18,000	8,000	26,000
418	Mud & Additives	50,000	5,000	55,000
220	Mud Logging	12,000	-	12,000
424	Bits	-	2,000	2,000
228	Tubular Testing/Inspection	2,000	8,000	10,000
230	CSG/TBG Crews/Tools	-	2,000	2,000
422	Float Eq., Cent & Scratchers	4,000	3,000	7,000
420	Cement Additives & Pump Trucks	32,000	15,000	47,000
236	Water & Water Hauling	12,000	6,000	18,000
222	Coring & Analysis	-	-	-
224	Elec. Line - Logs, Perf, Production, Etc.	32,000	15,000	47,000
226	Well Testing - DST, Wireline, Etc.	10,000	1,000	11,000
512	Eq. Rntls. - Surface/Downhole	18,000	6,000	24,000
950	Directional Drilling Expense	-	-	-
234	Transportation - Land - Marine	12,000	6,000	18,000
410	Fuel, Power & Water	-	-	-
930	Well Stimulation	-	12,000	12,000
830	Overhead	9,000	3,000	12,000
790	Misc. & Contingency	25,000	6,000	31,000
	TOTAL INTANGIBLE EXPENSE	$ 522,000	$ 119,000	$ 641,000

SO. 20 CHG.

TANGIBLE EXPENSE

		CSG. PT. COST (732)	COMPL. COST (736)	TOTAL COST
	CSG. & LINER			
	Drive ____ Ft. ____ O.D. @ $ ____ /Ft. =			
	Cond. ____ Ft. ____ O.D. @ $ ____ /Ft. =			
	Surf. 400 Ft. 13-3/8" O.D. @ $ 25.93 /Ft. =	$10,000		
	Intr. 5000 Ft. 9-5/8" O.D. @ $ 20.09 /Ft. =	100,000		
	Prod. 12200 Ft. 5½" O.D. @ $ 12.53 /Ft. =	153,000		
	Liner ____ Ft. ____ O.D. @ $ ____ /Ft. =			
426	TOTAL	$ 110,000	$ 153,000	$ 263,000
432	TUBING 12200 Ft. 2-7/8" O.D. @ $ 6.42 /Ft. =	78,000	-	78,000
430	WELLHEAD EQUIPT.	10,000	12,000	22,000
440	WELL PROD. EQUIPT.-DOWNHOLE & SURFACE	-	80,000	80,000
442	PROD. FACILITIES-TANKS, EQUIPT. & LINES	-	15,000	15,000
450	MARINE PLATFORMS			
452	OFFSHORE PROD. FACILITIES			
	TOTAL TANGIBLE EXPENSE	$ 120,000	$ 338,000	$ 458,000
	TOTAL WELL COST	$ 642,000	$ 457,000	$1,099,000

WORKING INTEREST	PER CENT	CASING POINT	COMPLETED WELL

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
Belco EXHIBIT NO. 4
CASE NO. 7970

BELCO APPROVAL	
ENGINEERING	DATE
DIVISION PE Planning PET	DATE 8/5/83
MANAGEMENT Mark D Papa	DATE 8/9/83

JOINT INTEREST APPROVAL	
COMPANY	DATE
BY	