

A.A.P.L. FORM 610-1982
MODEL FORM OPERATING AGREEMENT



SCHEDULE "C"

Attached to and made a part of that certain Letter Agreement dated May 28, 1998, by and between Nearburg Exploration Company, L.L.C. and Harvey E. Yates Company, et al

GAZELLE PROSPECT

OPERATING AGREEMENT

DATED

May 28, 1998,

OPERATOR Tract 1: Nearburg Producing Company
Tract 2: Harvey E. Yates Company

CONTRACT AREA Tract 1: Lots 3, 4, E/2SW/4, SE/4 of Section 31,

T-18-S, R-33-E; Tract 2: S/2 of Section 32, T-18-S, R-33-E,

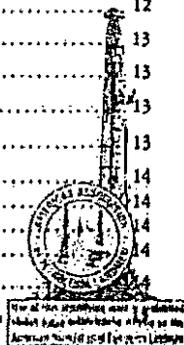
COUNTY OR PARISH OF LEA STATE OF NEW MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 2408 CONTINENTAL LIFE BUILDING,
FORT WORTH, TEXAS, 76102, APPROVED FORM.
A.A.P.L. NO. 610 - 1982 REVISED

NMOCD CASE NO. 15433
Nearburg Producing Company
Exhibit No. 2
January 21, 2016

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Nearburg Producing Company, hereinafter
designated and referred to as "Operator" of Tract 1 described*, ~~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". *In Exhibit "A" and Harvey E. Yates Company,
hereinafter designated and referred to as "Operator of Tract 2 described in Exhibit "A"

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 "drill site" shall mean the oil and gas lease or interest on which a proposed well is to be located.
- G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.
- H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

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

ARTICLE II.
EXHIBITS

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

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

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



ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

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

B. Interests of Parties in Costs and Production:

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

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

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

C. Excess Royalties, Overriding Royalties and Other Payments:

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

D. Subsequently Created Interests:

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

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

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drifflite 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 drifflite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal title status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~Operator shall bear the cost incurred by Operator in procuring abstracts and title examinations including production of copies of title status reports, title opinions and division order title opinions and the cost of the administrative work and on payment of the title examination fee and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~



ARTICLE IV
continued

1 **Option No. 2:** Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination
2 (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties
3 in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Ex-
4 hibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above
5 functions.
6

7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection
8 with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling
9 designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders.
10 This shall not prevent any party from appearing on its own behalf at any such hearing.
11

12 No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above
13 provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to par-
14 ticipate in the drilling of the well.
15

16 **B. Loss of Title:**

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

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

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

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

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

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

39 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest
40 claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in
41 connection therewith.
42

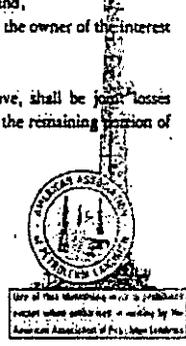
43 2. **Loss by Non-Payment or Erroneous Payment of Amount Due:** If, through mistake or oversight, any rental, shut-in well
44 payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates,
45 there shall be no monetary liability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

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

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

60 (c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest
61 lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.
62

63 3. **Other Losses:** All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses
64 and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of
65 the Contract Area.
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67
68
69
70



ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Hearburg Producing Company and Harvey E. Yates Company shall be the Operators of Tracts 1 and 2 respectively in the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

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

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

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

C. Employees:

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

D. Drilling Contracts:

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

ARTICLE VI.
DRILLING AND DEVELOPMENT

~~Initial Well~~
On or before the _____ day of _____, 19____, Operator shall commence the drilling of a well for oil and gas at the following location:

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

~~unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impracticable, 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, which event Operator shall be required to test only the formation or formations to which this agreement may apply.~~



ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifteen Thousand Dollars (\$ 15,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be 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 mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

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

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

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



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ARTICLE XVI
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of the 28th day of May, 1998.

OPERATORS

ATTEST OR WITNESS

NEARBURG PRODUCING COMPANY

By: [Signature] ✓
Bob Shelton
Type or Print Name
Title Land Manager
Date May 28, 1998
Tax ID or SS No. 74-1666262

ATTEST OR WITNESS

Melinda A. Randle
Assistant Secretary

HARVEY E. YATES COMPANY

By: [Signature] WDP
Steven M. Yates
Type or Print Name
Title Vice President
Date June 19, 1998
Tax ID or SS No.

ATTEST OR WITNESS

NEARBURG EXPLORATION COMPANY, L.L.C.

By: [Signature]
Robert G. Shelton
Type or Print Name
Title Attorney-in-Fact
Date May 28, 1998
Tax ID or SS No. 75-2626152

ATTEST OR WITNESS

Melinda A. Randle
Assistant Secretary

SPIRAL, INC.

By: [Signature] WDP
Steven M. Yates
Type or Print Name
Title Vice President
Date June 19, 1998
Tax ID or SS No.

ATTEST OR WITNESS

Melinda A. Randle
Assistant Secretary

EXPLORERS PETROLEUM CORPORATION

By: [Signature] WDP
Steven M. Yates
Type or Print Name
Title Vice President
Date June 19, 1998
Tax ID or SS No.

ATTEST OR WITNESS

HEYCO EMPLOYEES, LTD.

By: [Signature] WDP
Steven M. Yates
Type or Print Name
Title Vice President of HEYCO Gen Partner
Date June 19, 1998
Tax ID or SS No.

ATTEST OR WITNESS
Carlton M. Jaram
Assistant Secretary

JAMES H. YATES, INC.

By: St. M. Yates *VAJ*
Steven M. Yates
Type or Print Name
Title Vice President
Date June 19, 1998
Tax ID or SS No. 85-0250327

ATTEST OR WITNESS
Carlton M. Jaram
Assistant Secretary

COLKELAN CORPORATION

By: St. M. Yates *VAJ*
Steven M. Yates
Type or Print Name
Title Vice President
Date June 19, 1998
Tax ID or SS No. 98-0042568

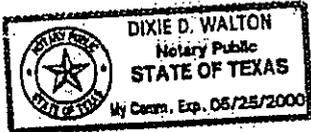
ACKNOWLEDGMENTS

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 28th day of May, 1998, by Bob Shelton, as Land Manager of Nearburg Producing Company, a Texas corporation, on behalf of said corporation.

Dixie D. Walton
Notary Public, State of Texas

My Commission Expires:
5-25-2000

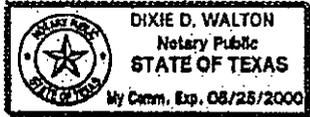


STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 28th day of May, 1998, by Robert G. Shelton, as Attorney-in-Fact of Nearburg Exploration Company, L. L. C., a Texas limited liability company, on behalf of said company.

Dixie D. Walton
Notary Public, State of Texas

My Commission Expires:
5-25-2000



STATE OF NEW MEXICO §
§
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this 19th day of June, 1998, by Steven M. Yates, as Vice-President of Harvey E. Yates Company, a New Mexico corporation, on behalf of said corporation.

Diane L. Marshall
Notary Public, State of New Mexico

My Commission Expires:
12/3/2000

STATE OF NEW MEXICO §
§
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this 19th day of June, 1998, by Steven M. Yates, as Vice-President of Spiral, Inc., a New Mexico corporation, on behalf of said corporation.

Deane L. Marshall
Notary Public, State of New Mexico

My Commission Expires:
12/3/2000

STATE OF NEW MEXICO §
§
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this 19th day of June, 1998, by Steven M. Yates, as Vice-President of Explorers Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

Deane L. Marshall
Notary Public, State of New Mexico

My Commission Expires:
12/3/2000

STATE OF NEW MEXICO §
§
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this 19th day of June, 1998, by Steven M. Yates, as V.P. of HEYCO Gen. Mgr. of HEYCO Employees, Ltd., a New Mexico limited partnership, on behalf of said partnership.

Deane L. Marshall
Notary Public, State of New Mexico

My Commission Expires:
12/3/2000

STATE OF NEW MEXICO §
§
COUNTY OF SANTA FE §

The foregoing instrument was acknowledged before me on this 19th day of June, 1998, by Steven M. Yates, as Vice-President of James H. Yates, Inc., a New Mexico corporation, on behalf of said corporation.

Deane L. Marshall
Notary Public, State of New Mexico

My Commission Expires:
12/3/2000

STATE OF NEW MEXICO §
COUNTY OF SANTA FE §

The foregoing instrument was acknowledged before me on this 19th day of June, 1999, by Steven M. Yates, as Vice-President of Colkelan Corporation, Inc., a NEW MEXICO corporation, on behalf of said corporation.

Gene L. Marshall
Notary Public, State of New Mexico

My Commission Expires:
12/3/2000

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 28TH DAY OF MAY, 1998, BETWEEN NEARBURG PRODUCING COMPANY AND HARVEY E. YATES COMPANY, AS OPERATORS, AND NEARBURG EXPLORATION COMPANY, L.L.C., ET AL, AS NON-OPERATORS

I. Identification of Lands Subject to this Agreement:

Tract 1: Lots 3, 4, E/2SW/4 and SE/4 of Section 31, T-18-S, R-33-E, Lea County, New Mexico, from the surface to the base of the Morrow formation;

Tract 2: S/2 of Section 32, T-18-S, R-33-E, Lea County, New Mexico, from 4,660' below the surface to the base of the Morrow formation.

II. Restrictions as to Depths or Formations:

See Item I above.

III. Percentages of Parties to this Agreement:

Tract 1, Nearburg Producing Company, as Operator:

Nearburg Exploration Company, L.L.C.	66.66667%
Harvey E. Yates Company	26.66667%
Spiral, Inc.	1.33333%
Explorers Petroleum Corporation	1.33333%
HEYCO Employees, Ltd.	1.33333%
James H. Yates, Inc.	1.33333%
Colkelan Corporation	<u>1.33334%</u>
	100.00000%

Tract 2, Harvey E. Yates Company, as Operator:

Nearburg Exploration Company, L.L.C.	66.66667%
Harvey E. Yates Company	26.66667%
Spiral, Inc.	1.33333%
Explorers Petroleum Corporation	1.33333%
HEYCO Employees, Ltd.	1.33333%
James H. Yates, Inc.	1.33333%
Colkelan Corporation	<u>1.33334%</u>
	100.00000%

V. Oil and Gas Leases Subject to this Agreement:

See Exhibit "A-1"

V. Addresses of Parties to this Agreement:

Nearburg Producing Company
Nearburg Exploration Company, L.L.C.
3300 North "A" Street, Bldg. 2, Suite 120
Midland, Texas 79705

Harvey E. Yates Company
Spiral, Inc.
Explorers Petroleum Corporation
HEYCO Employees, Ltd.
P. O. Box 1933
Roswell, New Mexico 88202

James H. Yates, Inc.
Colkelan Corporation
Suite C
906 S. St. Francis Drive
Santa Fe, New Mexico 87501

EXHIBIT "A-1"

Tract 1:

1. Lease Serial Number: LC 069276
Date: July 1, 1949
Recorded: Book 495, Page 361, Lea County Records
Lessor: United States of America
Original Lessee: Siegfried James Iverson, et al
Description: Insofar as said lease covers Lots 3, 4, E/2SW/4
and SE/4 of Section 31, T-18-S, R-33-E, Lea
County, New Mexico

Tract 2:

2. Lease Serial Number: VB 0097
Date: May 1, 1987
Recorded: Book 411, Page 87, Lea County Records
Lessor: State of New Mexico
Original Lessee: Harvey E. Yates Company
Description: Insofar as said lease covers the S/2 of Section 31,
T-18-S, R-33-E, Lea County, New Mexico