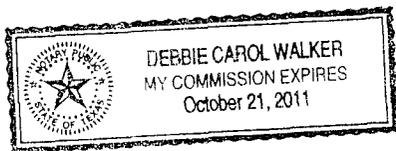


STATE OF TEXAS
COUNTY OF MIDLAND

This instrument was acknowledged before me on the 9th day of April,
2008 by John Cox.



Debbie Walker
Notary Public in and for the State of Texas

Printed Name:

Commission Expires:



Please Return This Copy

February 19, 2006

TO: Saunders SWD System
Working Interest Owners

SUBJECT: Saunders SWD #2
Lea County, New Mexico

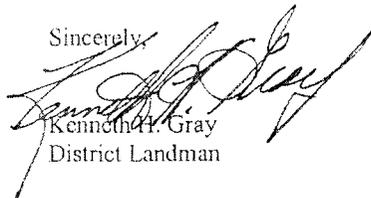
Gentlemen:

As a follow-up to our letters of February 13 & 14, 2006 Energen is requesting that the attached Exhibit "B" showing a list of wells be reviewed by all working interest owners.

It is Energen's intent to bill out the recent proposed work on basis of wells currently using the Saunders Systems. Please acknowledge your agreement as to your wells by signing dating and returning one (1) copy of this letter. A final percentage of ownership will be provided as soon as we have received a response from all parties.

Please sign and return one (1) copy of this letter at your earliest convenience.

Sincerely,



Kenneth H. Gray
District Landman

KHG:pr

Enclosure(s)

Wells as outline on attached Exhibit "B" is correct for Chesapeake Energy Corporation as of January 1, 2006.

Company: Chesapeake Energy Corporation

Date: _____

By: _____

Name: _____

Title: _____

EXHIBIT "B"

SAUNDERS SALTWATER DISPOSAL AGREEMENT DATED MARCH 31, 1958
LEA COUNTY, NEW MEXICO
(Revised effective January 1, 2006)

Energen Resources Corporation – Operator Total 18 Wells
 State "E" No.1 well Lot 1, Section 3, T15S, R33E
 State "F" No. 1 & 6 wells, W/2 Section 2, T15S, R33E
 State "G" No. 3 well, SW/4 NE/4 Section 3, T15S, R33E
 State "G" No. 12 well, NE/4 SE/4 Section 3, T15S, R33E
 State "H" No.3 well, NW/4 SE/4 Section 28, T14S, R33E
 State "I" No. 2 well, SE/4 SW/4 Section 4, T15S, R33E
 State "J" No. 4E, 6K & 7C wells, Section 23, T14S, R33E
 State "M" Com well No. 8, SE/4 SE/4 Section 3, T15S, R33E
 State "Q" No. 1 & 2 wells, N/2 SW/4 Section 4, T15S, R33E
 State "S" No. 1 well, NE/4 SE/4 Section 5, T15S, R33E
 State "T" No. 2 well, NW/4 SE/4 Section 5, T15S, R33E
 State "T" No. 3 well, SE/4 SE/4 Section 5, T15S, R33E
 Saunders Deep State No. 1 well, Lot 1 of Section 3, T15S, R33E
 Brazos State No. 1 well, SE/4 of Section 34, T14S, R33E

Enerquest Oil & Gas, LTD. (formerly Inflow Petroleum Resources, L.P.) – Operator
 Total 4 Wells
 NM AN State No.10 well, SW/4 NW/4 Section 22, T14S, R33E
 NM BG State NCT-1 No. 6 well, SW/4 NE/4 Section 14, T14S, R33E
 NM AT State No. 11Y well, NW/4 NW/4 Section 15, T14S, R33E
 NM BG State NCT2 No.2 well, SW/4 NE/4 Section 16, T14S, R33E

Chesapeake Energy Corporation (formerly Bird Creek, L.L.C.) – Operator Total 1 Well
 State "A" No. 7 Well, SW/4 NE/4 Section 34, T14S, R33E

Kevin O. Butler & Assoc. – Operator Total 2 Wells
 State "R" No. 1 Well, NE/4 SE/4 Section 27, T14S,
 State "R" No. 3 Well, NW/4 NE/4 Section 27, T14S, R33E

<u>Company</u>	<u>Wells</u>	<u>Revised Ownership (effective 11/1/2004)</u>
Energen Resources Corporation	18	72.00%
Enerquest Oil & Gas, LTD.	4	16.00%
Chesapeake Energy Corporation	1	4.00%
Kevin O. Butler & Associates, Inc.	<u>2</u>	<u>8.00%</u>
	25	100.00%

2/1/2006

SAUNDERS
SALT WATER DISPOSAL AGREEMENT

Amerada Petroleum Corporation, The Atlantic Refining Company, Cities Service Oil Company, Gulf Oil Corporation, Magnolia Petroleum Company, Shell Oil Company, Fish Northwest Constructors, Inc. and The Texas Company are the owners and operators of producing oil wells in the Saunders Field, Lea County, New Mexico. In order to dispose of the salt water produced from these wells the above named parties wish by this agreement to provide for the installation and operation of a system for the underground disposition of such salt water, to be known as the Saunders Salt Water Disposal System, which will hereinafter be referred to as the "System".

1. Properties Covered: The parties hereto represent that they are the owners of all interests, or the operators with full authority to enter into this agreement on behalf of the owners of all interests, in one or more oil and gas leases covering portions of the tract of land outlined on the plat attached hereto as Exhibit "A", or represent that they are the owners of unleased mineral interests in and under some portion of the tract so outlined on Exhibit "A", the land so outlined on Exhibit "A" being hereafter referred to as the "Contract Area".

2. Wells: The parties hereto represent that all of the producing wells owned or operated by them and located on the Contract Area ("producing wells" for the purposes of this agreement being all oil wells which have not been temporarily or permanently abandoned and, solely at the option of the party owning or operating the same, gas wells) are listed on Exhibit "B", which listing also describes the quarter quarter section, according to governmental survey, in which such producing wells are located.

3. Operator: Amerada is designated as Operator of the System. Operator shall have full control of the System and, subject to the provisions of this agreement, shall conduct and manage the construction and operation thereof for the purpose of disposing of salt water produced by the parties hereto from the Contract Area.

Operator may resign on thirty (30) days notice to the parties hereto. In such event, or in the event of a sale by Operator of its interest in the wells connected to the System, the parties subject hereto shall be entitled to select a new Operator.

The number of employees necessary to operate the System, the selection of such employees, the hours of labor and compensation for services to be paid any and all such employees shall be determined by Operator. Such employees shall be the employees of Operator.

4. Total Investment Account: The total investment account shall consist of the initial investment cost plus additional investment costs, less the proceeds from the sale of any part of the System or of material or equipment not necessary to the System. Such total investment account and the System shall be owned by the parties hereto in proportion to their net contributions thereto.

Included in the initial investment cost for the installation of the System will be the cost of the drilling or acquiring and reworking of a salt water disposal well and the purchase and installation of necessary equipment in and on such well for the System, the acquisition of a site for and the installation of a salt water accumulation tank and the acquisition of rights-of-way or easements for and the installation of all necessary salt water gathering lines, including all necessary pipe, fittings and pumps.

The initial investment cost will be divided between the parties hereto, each to bear that proportion of such cost that the number of producing wells owned and operated by it, as shown on Exhibit "B", bears to the total number of producing wells shown on Exhibit "B".

Additional investment costs shall include all costs incurred by Operator for the addition of new facilities and equipment to the System and the drilling or acquisition and equipping of new salt water disposal wells necessary at any time to maintain or increase the disposal capacity of the System, together with the costs of installing additional gathering lines necessary to connect additional producing wells to the System.

All additional investment costs shall be divided among the parties to this agreement as of the first day of the month in which such costs are incurred and in the proportion which the number of producing wells owned or operated by each party and committed to the System at that time bears to the total number of producing wells committed to the System at that time. The number of producing wells committed to the System by any

party hereto at any given time shall be the number of producing wells initially committed to the System by such party, being the number of wells listed on Exhibit "B" for the parties initially executing this agreement, plus additional wells committed to the System under the following paragraph, less wells which have been committed to the System but which have been temporarily or permanently abandoned.

If any of the parties hereto complete an additional producing well or wells (this shall be understood to include the completion of a new well, the restoration of production from a previously abandoned well or an election to include a gas well) or if any additional party owning or operating a producing well or wells in the Contract Area becomes subject to this agreement, such party will so notify the Operator and Operator will bill such party for a portion of the total investment cost, calculated for such additional well or wells on the same pro rata basis as above provided for the division of the initial investment cost among the wells listed on Exhibit "B" and as of the first day of the month in which the notice is received by Operator. The amount thus collected by Operator shall be credited to the parties in the proportions of the parties' net contributions to the total investment cost, as such proportions exist immediately prior to the inclusion of the new well or wells. If at any time or from time to time any party temporarily or permanently abandons any well for which a pro rata share of the total investment cost has been paid there shall be no adjustment in the ownership of the total investment account or the System but such party shall be entitled to add to the System one additional producing well or resume production from one previously abandoned well in the Contract Area for each well so temporarily or permanently abandoned, without the further payment of any share of the total investment cost; in such event the party shall pay the total cost of any additional gathering line necessary to connect any additional well or wells to the System. The total cost so paid by the party shall not be added to the total investment account and, upon abandonment of the System, the party paying such total cost shall be entitled to 100% of the sale value of the additional gathering line necessary to connect the additional well or wells to the System for which the party has paid the total cost upon installation.

Whenever the parties hereto determine that all or any part of the System is no longer necessary and should be discontinued, Operator shall sell the same at the best price obtainable, and the proceeds from such sale less any cost or expense incurred in connection therewith shall be divided among the parties in the proportion that their net contribution to the total investment account bears to the total investment account. Operator shall sell and similarly dispose of the proceeds of such sale of any items of material or equipment purchased or acquired for the System but which are no longer necessary to the System, provided that Operator shall not sell any such material or equipment, the initial charge for which to the total investment account was in excess of One Thousand Dollars (\$1,000.00), without the prior approval of the parties hereto.

5. Determinations by Parties: All matters to be determined by the parties to this agreement, being all matters in connection with the operation and installation of the System not entrusted to the judgment and authority of the Operator by this agreement, will be determined by a vote of the parties to this agreement. An affirmative vote on any matter thus to be determined will be binding upon all the parties to this agreement.

Unless otherwise indicated by the text of this agreement, any matter will be determined by an affirmative vote of a majority weighted vote, except that if any one party has a sufficient interest to enable it to cast a majority weighted vote the affirmative vote of that one party shall be insufficient to bind the parties unless joined by at least one other affirmative vote. The term "weighted vote" means that a vote shall have the weight and effect that the undivided interest in the total investment account of the party casting such vote bears to the total investment account.

6. Installation of System: The parties will proceed as soon as practicable after execution of this agreement by all parties hereto to install the System.

Amerada will turn over to the System for use as the System's salt water disposal well, during the term of this agreement, its State S "C" Well #5, located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$, Section 4, Township 15 South, Range 33 East, Lea County, New Mexico, for the use of which well together with the casing therein Amerada will receive a credit, and the joint account will be charged, in the amount of Fifteen Thousand Eight Hundred Dollars (\$15,800.00).

Operator will install or cause to be installed the System, including the conversion of the well above mentioned for disposal of salt water, the installation of a salt water accumulation tank and all salt water gathering lines necessary to enable the System to take salt water from the parties hereto at the site of all their present lease tank batteries in the Contract Area and the acquisition of all necessary easements, rights-of-way, licenses and permits, after the parties have approved the plans for such installation and an estimate of the cost thereof.

Subsequent to the initial installation of the System, Operator will drill or cause to be drilled any additional salt water disposal wells which may be necessary to provide additional disposal facilities or will acquire and convert additional existing wells for this purpose, will repair, replace, reroute or extend the gathering lines and will make or cause to be made any or all other necessary repairs, replacements or additions to the System, subject to the limitation that Operator will undertake no such work the cost of which may reasonably be expected to exceed Two Thousand Dollars (\$2,000.00) without the prior approval of the parties hereto.

7. Operation of System: Each party hereto shall at its own risk, cost and expense connect its lease tank batteries in the Contract Area to the salt water gathering lines which Operator will have run to a point in the vicinity of each of such lease tank batteries which is mutually agreeable to Operator and the party hereto owning or operating the producing wells connected to the particular lease tank battery.

The parties agree that they will be fully and wholly responsible for the salt water produced on each of their leases in the Contract Area until such time as they may deliver any of such salt water into the System's gathering line. Only water reasonably free from solid matter, basic sediment and oil shall be acceptable for delivery to the System; each party will so produce, store and deliver salt water as to prevent it from coming into contact with any air. Operator shall at all times have the right to go upon the leases in the Contract Area to inspect the manner and facilities in which salt water is being delivered to the System, and the parties will at their sole cost and expense conform to any reasonable request of Operator for the correction

of the manner in which salt water is being delivered into the System. If Operator's request is not met in a reasonable time, Operator may refuse to take into the gathering lines of the System for disposal any salt water tendered by the party failing to meet Operator's request until such time as the request is met.

Operator will dispose of all acceptable salt water, as above defined, produced from wells in the Contract Area which the parties may deliver into the System, to the limit of the gathering line capacity, so long as the total volume of salt water delivered into the System does not exceed the disposal capacity of the salt water disposal well or wells forming a part of the System; in the event salt water tendered to the System does exceed the disposal capacity the Operator may limit the amount of salt water which may be delivered into the gathering line of the System by any party hereto to that proportion of the disposal capacity which that party's interest in the total investment account bears to the total investment account. If a limit is thus placed on the delivery of salt water into the System, the Operator will remove it as soon as the disposal capacity of the well or wells forming a part of the System is again adequate to dispose of all of the salt water which may be tendered for delivery into the System.

All operating costs of the System incurred during any calendar month will be shared and borne by the parties hereto in the proportion that the number of wells then currently committed to the System by each party bears to the total number of wells then currently committed to the System.

8. Payment of Costs: Operator shall pay and discharge all costs and expenses incurred pursuant hereto and shall charge each of the parties hereto with its respective proportionate share upon the cost and expense basis provided in the Accounting Procedure attached hereto as Exhibit "C"; if there is any conflict between this agreement and Exhibit "C", this agreement shall control. Each party hereto other than Operator shall promptly pay Operator such costs as are hereunder chargeable to such party.

Operator may at its election require the parties to advance their respective proportions of the initial investment costs or of any additional investment costs or of any operating costs. In such event Operator shall, on or before the first day of each calendar month, furnish an itemized estimate of any of such costs for the succeeding calendar month to the parties hereto other than Operator. Within fifteen days thereafter each party other than Operator shall pay its proportionate share of such estimate; if not paid, same shall bear interest at 6% per annum until paid. Adjustments between estimates and actual costs shall be made by Operator at the close of each calendar month and the accounts of the parties adjusted accordingly.

If any party hereto fails or neglects to pay any costs and expenses charged to that party under this agreement, the other parties hereto agree to pay to the Operator such proportionate part of the costs and expenses of any such defaulting party on the same basis as if the defaulting party had not been a party to this agreement. These payments to Operator shall be reimbursed upon the payment to and receipt by the Operator from the defaulting party of any past due amount owing by the defaulting party.

In the event of default by any party in the payment of costs chargeable to that party under this agreement, Operator may refuse to take into the gathering lines of the System for disposal any salt water tendered by such defaulting party until such time as all past due amounts owing by the defaulting party have been paid.

Operator shall have a lien on the interest in the System of each of the parties subject to this agreement and on the oil and gas leases and the material and equipment thereon which are located in the Contract Area and owned or operated by each of such parties and the oil and gas produced from any of such leases, to secure Operator in the payment of any sum due to Operator hereunder from any such party.

9. Enlargement of Contract Area: Admission of Additional Parties:

The Contract Area may from time to time be enlarged or extended upon prior approval of the parties hereto, and as so enlarged or extended shall be referred to as the Contract Area.

Other owners or operators of a lease or leases on which are located one or more producing wells, within the Contract Area, may become a party hereto by agreeing in writing to be bound by all the terms and conditions of this agreement, including any amendments which may have been made by the parties.

10. Withdrawal: Any party may withdraw from this agreement by giving the Operator thirty (30) days' written notice of intention to do so, provided such party no longer has any producing wells within the Contract Area. Such withdrawing party will assign to the other parties hereto all its interest in and under this agreement and in and to the System, including all its interests in any rights of way or easements and all its interest in and to the total investment account, except that the withdrawing party will not assign its interest in any additional gathering line installed at that party's sole cost under the provisions of Section 4 of this agreement. Such withdrawal shall not relieve a party of any liability or obligation under this agreement which has accrued prior to the effective date of withdrawal, except for additional investment costs incurred subsequent to the date of the notice to Operator of intention to withdraw.

11. Assignments: Any party selling, assigning or otherwise conveying all or any part of its interest in any lease or leases in the Contract Area shall have the right to assign therewith a proportionate interest in that party's interest under this agreement, in the System and in the total investment account, upon the assignee agreeing to assume liabilities and obligations under this agreement in proportion to the interest assigned. Such assignment shall not relieve the assigning party of any obligations or liabilities under this agreement which are incurred prior to the assignment.

12. Liability and Claims: The judgment and discretion of the Operator, exercised in good faith, shall be the only standard in determining any liability to any other party to this agreement for any acts done or omitted by Operator in the good faith performance of this agreement.

The parties hereto agree to indemnify the Operator against any and all claims, causes of action and judgments based in whole or in part upon the installation or operation of the System or arising in whole or in part therefrom. The parties will reimburse Operator for all money expended in the settlement of any and all such claims or judgments and for all money expended by Operator in defending against any such claims or judgments, in excess of any proceeds of insurance carried, less Operator's pro rata share of all such costs and expenditures. The reimbursement and indemnification of Operator shall be prorated among the parties on the same basis as operating expenses were prorated among the parties during the year preceding the month when the incident occurred upon which the claim or judgment is based, or, if such date is prior to the effective date of this agreement or for any reason cannot be fixed with certainty during any calendar month of the term of this agreement, then such reimbursement and indemnification shall be prorated among the parties hereto on the same basis as operating expenses were prorated among the parties during the year preceding the month when the claim or cause of action upon which any judgment or settlement may be based was first reported or presented to Operator.

If any party hereto receives notice of any claim or cause of action which may be based in whole or in part upon the installation or operation of the System, the same will be promptly reported to Operator.

Operator shall not settle any claim or cause of action against the parties hereto for a sum in excess of One Thousand Dollars (\$1,000.00) without the prior approval of the parties hereto.

13. Insurance: With respect to all operations upon the Contract Area the Operator or Operator's contractors or subcontractors shall carry insurance to indemnify, protect and save the parties hereto harmless as follows:

- (a) Workmen's Compensation Insurance in accordance with the laws of the State of New Mexico and Employer's Liability Insurance with limits of not less than \$25,000.00.
- (b) Public Liability Insurance, covering only personal injury claims, with limits of not less than \$100,000.00 as to any one person, and \$300,000.00 as to any one accident.

(c) Automobile Public Liability Insurance with limits of not less than \$100,000.00 as to any one person, and \$200,000.00 as to any one accident, and Automobile Property Damage Insurance with limits of not less than \$5,000.00.

No other insurance is to be carried and each party hereto shall assume its own risk covering its respective interest on all other insurable risks. Operator shall not be liable to any party for any loss accruing to it by reason of Operator's inability to procure or maintain the insurance above mentioned. Operator agrees that if at any time during the terms of this agreement it is unable to maintain or obtain such insurance it will immediately notify the parties of that fact.

14. Taxes: Operator shall prepare and file by the due date all property returns and reports required by law for ad valorem taxes levied upon land, improvements and personal property forming a part of the System, and shall pay when due all taxes arising therefrom.

15. Election Under Internal Revenue Laws: All of the parties hereto hereby elect that the operations conducted under this agreement and that such parties with respect to such operations, be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, or any amendment thereof, or any continuation of such provisions in substantially the same form in any future Internal Revenue Law, or such portion or portions thereof as may be permitted by the Secretary of the Treasury or his delegate, insofar as such Subchapter, amendment or continuation, or any portion or portions thereof may otherwise be applicable to such operations or to such parties with respect to such operations. Each party agrees to execute such further documents to evidence or effectuate this election as may be requested by Operator and authorizes and directs Operator to execute and file with proper administrative office or agency whatever documents may be required to effectuate this election. This election may not be revoked without the prior consent of all the parties to this agreement.

16. Force Majeure: Operator shall not be liable for any loss of property or of time caused by strikes, riots, fires, tornadoes, floods or for any other cause beyond the control of Operator through the exercise of reasonable diligence. All of the provisions of this agreement are hereby expressly

made subject to all applicable Federal or State laws, orders, rules and regulations, and in the event this contract or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

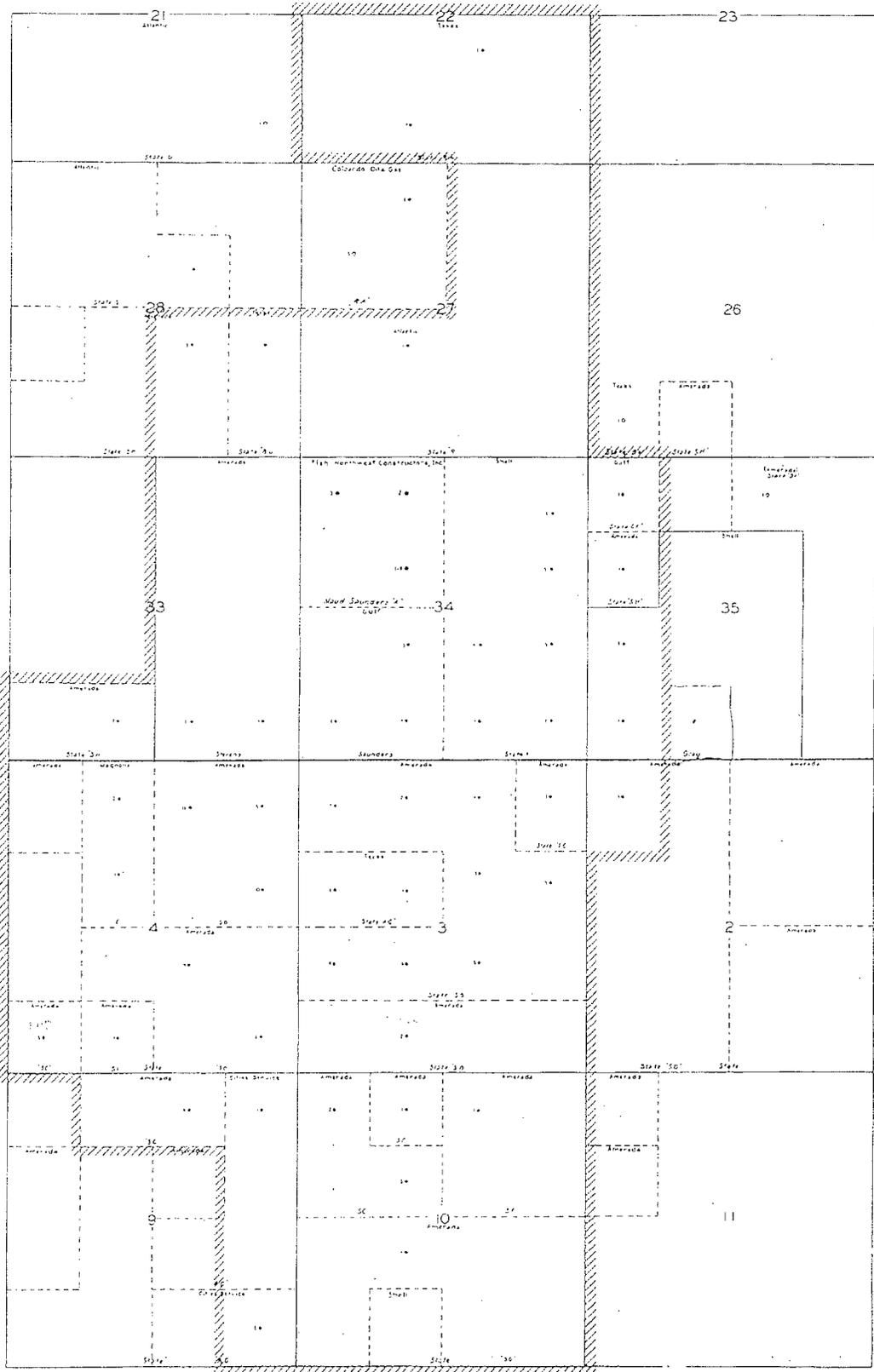
17. Term: This agreement shall be effective upon execution hereof by all the parties and shall thereafter continue in full force and effect until it is determined by the parties hereto that the maintenance and operation of the System should be discontinued. The termination of this agreement shall not relieve any party of its obligations or liabilities under this agreement.

18. Execution: This agreement may be executed in any number of counterparts; execution of any counterpart shall be as binding upon the parties as though all parties had executed the same original instrument.

R-33-E

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////// AREA OUTLINE OF S.W.D. AGREEMENT

EXHIBIT A
SAUNDERS SALT WATER
DISPOSAL AGREEMENT

LEA COUNTY NEW MEXICO

REVISED

EXHIBIT "B" TO

SAUNDERS SALT WATER DISPOSAL AGREEMENT

LEA COUNTY, NEW MEXICO

Charles B. Gillespie, Jr.

State "E" #1	NE/4 of NE/4 Section 3-15S-33E
State "E" #4	NW/4 of NE/4 Section 9-15S-33E
State "F" #1	NW/4 of NW/4 Section 2-15S-33E
State "F" #2	NE/4 of SE/4 Section 4-15S-33E
State "F" #3	SE/4 of SE/4 Section 4-15S-33E
State "F" #4	NW/4 of Se/4 Section 4-15S-33E
State "G" #1	NW/4 of NE/4 Section 3-15S-33E
State "G" #3	SW/4 of NE/4 Section 3-15S-33E
State "G" #5	SE/4 of NE/4 Section 3-15S-33E
State "G" #6	NW/4 of SE/4 Section 3-15S-33E
State "G" #7	NW/4 of NW/4 Section 3-15S-33E
State "G" #8	NW/4 of SW/4 Section 3-15S-33E
State "G" #9	NE/4 of NE/4 Section 4-15S-33E
State "G" #10	SE/4 of NE/4 Section 4-15S-33E
State "H" #3	NW/4 of SE/4 Section 28-14S-33E
State "H" #5	SE/4 of SW/4 Section 28-14S-33E
State "I" #1	SE/4 of SW/4 Section 3-15S-33E
State "J" #1	SW/4 of SW/4 Section 23-14S-33E
State "J" #2	NW/4 of SW/4 Section 23-14S-33E
State "J" #4	SW/4 of NW/4 Section 23-14S-33E
State "J" #5	NW/4 of NW/4 Section 23-14S-33E
State "J" #6	NW/4 of SW/4 Section 23-14S-33E
State "J" #7	NE/4 of NW/4 Section 23-14S-33E
State "K" #1	SE/4 of SE/4 Section 29-14S-33E
State "M" #1	NW/4 of NW/4 Section 10-15S-33E
State "M" #2	SE/4 of NW/4 Section 10-15S-33E
State "M" #3	NW/4 of NE/3 Section 10-15S-33E
State "M" #6	SE/4 of NW/4 Section 3-15S-33E
J. E. Stevens #3	NE/4 of NE/4 Section 33-14S-33E
J. E. Stevens #4	SE/4 of NE/4 Section 33-14S-33E
J. E. Stevens #5	NE/4 of SE/4 Section 33-14S-33E
J. E. Stevens #6	NW/4 of NE/4 Section 33-14S-33E
J. E. Stevens #7	SW/4 of NE/4 Section 33-14S-33E
J. E. Stevens #8	NW/4 of SE/4 Section 33-14S-33E

Petroleum Corporation of Texas

State "A" #2	SE/4 of SE/4 Section 34-14S-33E
State "A" #7	SW/4 of NE/4 Section 34-14S-33E
State "SC" #2	SW/4 of NW/4 Section 33-14S-33E

EXHIBIT "B"

Revised 9/29/81

REVISED

EXHIBIT "B"

CONTINUED

Texaco, Inc.

New Mexico "AN" State #2	NW/4 of SE/4 Section 22-14S-33E
New Mexico "AN" State #3	NE/4 of SW/4 Section 22-14S-33E
New Mexico "AN" State #4	SE/4 of SE/4 Section 22-14S-33E
New Mexico "AN" State #6	SW/4 of SE/4 Section 22-14S-33E
New Mexico "AN" State #7	NE/4 of NE/4 Section 22-14S-33E
New Mexico "AN" State #8	SE/4 of NE/4 Section 22-14S-33E
New Mexico "AN" State #9	NE/4 of NW/4 Section 22-14S-33E
New Mexico "AN" State #10	SW/4 of NW/4 Section 22-14S-33E
New Mexico "AT" State #1	SE/4 of SE/4 Section 10-14S-33E
New Mexico "AT" State #3	SE/4 of SE/4 Section 15-14S-33E
New Mexico "AT" State #4	NE/4 of SE/4 Section 15-14S-33E
New Mexico "AT" State #5	SW/4 of SW/4 Section 10-14S-33E
New Mexico "AT" State #6	SE/4 of NW/4 Section 15-14S-33E
New Mexico "AT" State #7	SW/4 of NE/4 Section 15-14S-33E
New Mexico "BG" State NCT-1 #2	SW/4 of SW/4 Section 14-14S-33E
New Mexico "BG" State NCT-1 #3	NE/4 of SW/4 Section 14-14S-33E
New Mexico "BG" State NCT-1 #4	SW/4 of NW/4 Section 14-14S-33E
New Mexico "BG" State NCT-2 #1	NE/4 of NE/4 Section 16-14S-33E
New Mexico "BU" State NCT-1 #1	NE/4 of SE/4 Section 28-14S-33E

Sage Oil Company

Hobbs "O" #1	NE/4 of NW/4 Section 35-14S-33E
Lea State CK "A" #1	NW/4 of NW/4 Section 35-14S-33E

Atlantic Richfield Company

State "R" #1	NE/4 of SW/4 Section 27-14S-33E
State "R" #3	NW/4 of NE/4 Section 27-14S-33E

MWJ Producing Company

Saunders 28 #1	SW/4 of NW/4 Section 28-14S-33E
Saunders 28A #1	SE/4 of NW/4 Section 28-14S-33E

Warren Petroleum Company

Saunders Gas Plant	SW/4 Section 34-14S-33E
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EXHIBIT "B"

Revised 9/29/81

EXHIBIT "C"
TO
SAUNDERS SALT WATER DISPOSAL AGREEMENT
ACCOUNTING PROCEDURE
(Unit and Joint Lease Operations)

I. General Provisions

1. Definitions

"Joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Subparagraph A below:

- A. Statement in detail of all charges and credits to the joint account.
- B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.
- C. Statements as follows:
 - (1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;
 - (2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
 - (3) Detailed statement of any other charges and credits.

3. Payments by Non-Operator

Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator 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 Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

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 accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month

period. 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.

II. Development and Operating Charges

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.

B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

3. Employee Benefits

Operator's current cost 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, provided that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material, equipment, and supplies purchased or furnished by Operator for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

A. If material is moved to the joint property from vendor's or 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 or railway receiving point where such material is available, except by special agreement with Non-Operator.

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 from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:

The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. Overhead, District and Camp Expenses

In lieu of any charges for any part of the compensation and expenses of the officers and the entire staff of Operator located at Operator's principal business office, division office and/or field office, together with the costs of operating and maintaining all such offices, and in lieu of any charges for supervision, but not in lieu of any other expenses of the Operator incurred in the construction and operation of the system, the Operator shall have the right to charge against the joint account the following overhead charges:

1. Water Disposal Wells: At the rate of Four Hundred Dollars (\$400.00) per month per well during the time a water disposal well is being drilled or a previously drilled well is being converted for use as a water disposal well, beginning on the date that the drilling or conversion operations are commenced and terminating when said well has been completed as a water disposal well or plugged, except that no charge shall be made during the suspension of drilling or conversion operations for fifteen (15) or more consecutive days.

2. During Construction Period: Five percent (5%) of the gross debits of the direct costs of the construction of the system (excluding, however, the cost of acquiring any producing or non-producing well for the purpose of converting into a water input disposal well and also excluding any costs incurred in connection with the drilling or conversion of, or work requiring the use of drilling tools or any disposal well for which a flat monthly rate is charged in accordance with the preceding paragraph).

Charges under 1 and 2 above shall be apportioned to the parties in the same manner as other construction costs.

3. During Operating Period: In addition to the direct expense incident to the operation of the system, there shall be assessed, each month, by Operator a charge of five per cent (5%) of the gross debits of the total monthly operating costs (excluding any costs incurred on which overhead is applicable under 1 and 2 above), but in any event said monthly assessment shall not be less than One Hundred Dollars (\$100.00) per month, or should the system require more than one input disposal well the minimum charge for all overhead first above referred to shall be \$100.00 per month per well. This charge shall be apportioned in the same manner as all other operating costs.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

None

III. Basis of Charges to Joint Account

1. Purchases

Material and equipment purchased and service procured shall be charged at price paid by Operator after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New Material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on carload basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C")

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III 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 materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.
- B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.

- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance; repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.
- D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.
- E. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- F. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. Disposal of Lease Equipment and Material

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sale from the joint property.

1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

2. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

V. Basis of Pricing Material Transferred from Joint Account

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or
- B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used material (Condition "C"), at fifty per cent (50%) of current new price, being used material which:

- A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
- B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. Inventories

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

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-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

SAUNDERS SALT WATER DISPOSAL SYSTEM AGREEMENT

This is a legal and binding contract stating that MWJ Producing
Company accepts partnership in the Saunders Salt Water Disposal
System.

And that above party has read and agrees to all divisions of the
Saunders Salt Water Disposal System Agreement.

I Edward H. Judson, duly sworn by MWJ Producing
Company, authorize partnership in the Saunders Salt Water Disposal
System for said corporation, this 7th day of October,
1981.

Edward H. Judson
Edward H. Judson
Witnessed my hand and official seal, this 26th day of
October, 1981.

My Commission Expires:

5-5-85

Yvonne Shepherd
Notary Public YVONNE SHEPHERD

made subject to all applicable Federal or State laws, orders, rules and regulations, and in the event this contract or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

17. Term: This agreement shall be effective upon execution hereof by all the parties and shall thereafter continue in full force and effect until it is determined by the parties hereto that the maintenance and operation of the System should be discontinued. The termination of this agreement shall not relieve any party of its obligations or liabilities under this agreement.

18. Execution: This agreement may be executed in any number of counterparts; execution of any counterpart shall be as binding upon the parties as though all parties had executed the same original instrument.

Dated this 31st day of March, ~~1957~~ 1958.

ATTEST:	AMERADA PETROLEUM CORPORATION
EAL <u>G. T. Wimmer</u> Assistant Secretary	By <u>A. R. Denison</u> President
ATTEST:	THE ATLANTIC REFINING COMPANY
AL <u>R. O. Putschewick</u> Assistant Secretary	By <u>J. N. Mandenhall</u> General Manager of Production Domestic Crude Oil Production
ATTEST:	CITIES SERVICE OIL COMPANY
EAL <u>? ? Buckman</u> Asst. Secretary	By <u>J. A. Cleverley</u> Vice President
ATTEST:	GULF OIL CORPORATION
EAL <u>H. M. Craig</u> Asst. Secretary	By <u>B. E. Thompson</u> Attorney in Fact President
ATTEST:	MAGNOLIA PETROLEUM COMPANY
SEAL <u>H. W. Clark</u> Assistant Secretary	By <u>A. E. Chester</u> Vice-President
ATTEST:	SHELL OIL COMPANY
<u>Secretary</u>	By <u>J. V. Lindsay</u> Attorney in Fact Secretary
ATTEST:	FISH NORTHWEST CONSTRUCTORS, INC.
AL <u>R. E. Jones</u> Asst. Secretary	By <u>C. R. Williams</u> Vice President
ATTEST:	THE TEXAS COMPANY
<u>Secretary</u>	By <u>O. F. Sebasta</u> Attorney in Fact President

STATE OF OKLAHOMA)
) SS:
COUNTY OF TULSA)

On this 31 day of March, 1958, before me appeared A. R. Denison, to me personally known, who, being by me duly sworn, did say that he is the Vice President of AMERADA PETROLEUM CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A. R. Denison acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

EAL My commission expires: June 2, 1961
Orella R. Demeron
Notary Public

STATE OF TEXAS)
) SS:
COUNTY OF DALLAS)

On this 6 day of February, 1958, before me appeared J. M. Mendenhall, to me personally known, who being by me duly sworn, did say that he is the General Manager of THE ATLANTIC REFINING COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. M. Mendenhall acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written

SEAL My commission expires: 6-1-59
Barbara Overbeck
Notary Public

STATE OF Oklahoma)
) SS:
COUNTY OF Washington)

On this 15 day of January, 1958, before me appeared J. A. Clevarley, to me personally known, who being by me duly sworn, did say that he is the Vice President of CITIES SERVICE OIL COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. A. Clevarley acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

U My commission expires: 10-22-61
Delma Wilson
Notary Public

STATE OF Texas)
) SS:
COUNTY OF Tarrant)

On this 4 day of February, 1957, before me appeared B. E. Thompson, to me personally known, who being by me duly sworn, did say that he is the Attorney-in-Fact ~~President~~ of GULF OIL CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said B. E. Thompson acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

AL My commission expires: 6-1-59
Janice Dozier
Notary Public

STATE OF Texas)
) SS:
COUNTY OF Dallas)

On this 7 day of February, 1957, before me appeared A. E. Chester, to me personally known, who being by me duly sworn, did say that he is the Vice President of MAGNOLIA PETROLEUM COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A. E. Chester acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

EAL My commission expires:
June 1, 1959

Shirley Whetula
Notary Public

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

Before me, the undersigned authority, on this day personally appeared J. V. Lindsay, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney in Fact for Shell Oil Company and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the free act and deed of said Shell Oil Company in the capacity therein stated.

Given under my hand and seal of office this 7 day of January, 1958.

SEAL My Commission Expires:
June 1, 1959

Jean Akins
Notary Public in and for Midland
County, Texas

STATE OF Texas)
) SS:
COUNTY OF Harris)

On this 20th day of February, 1958, before me appeared C. R. Williams, to me personally known, who being by me duly sworn, did say that he is the Vice President of FISH NORTHWEST CONSTRUCTORS, INC., and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C. R. Williams acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

EAL My commission expires:
June 1, 1959

N. J. McCuller
Notary Public

STATE OF Texas)
) SS:
COUNTY OF Tarrant)

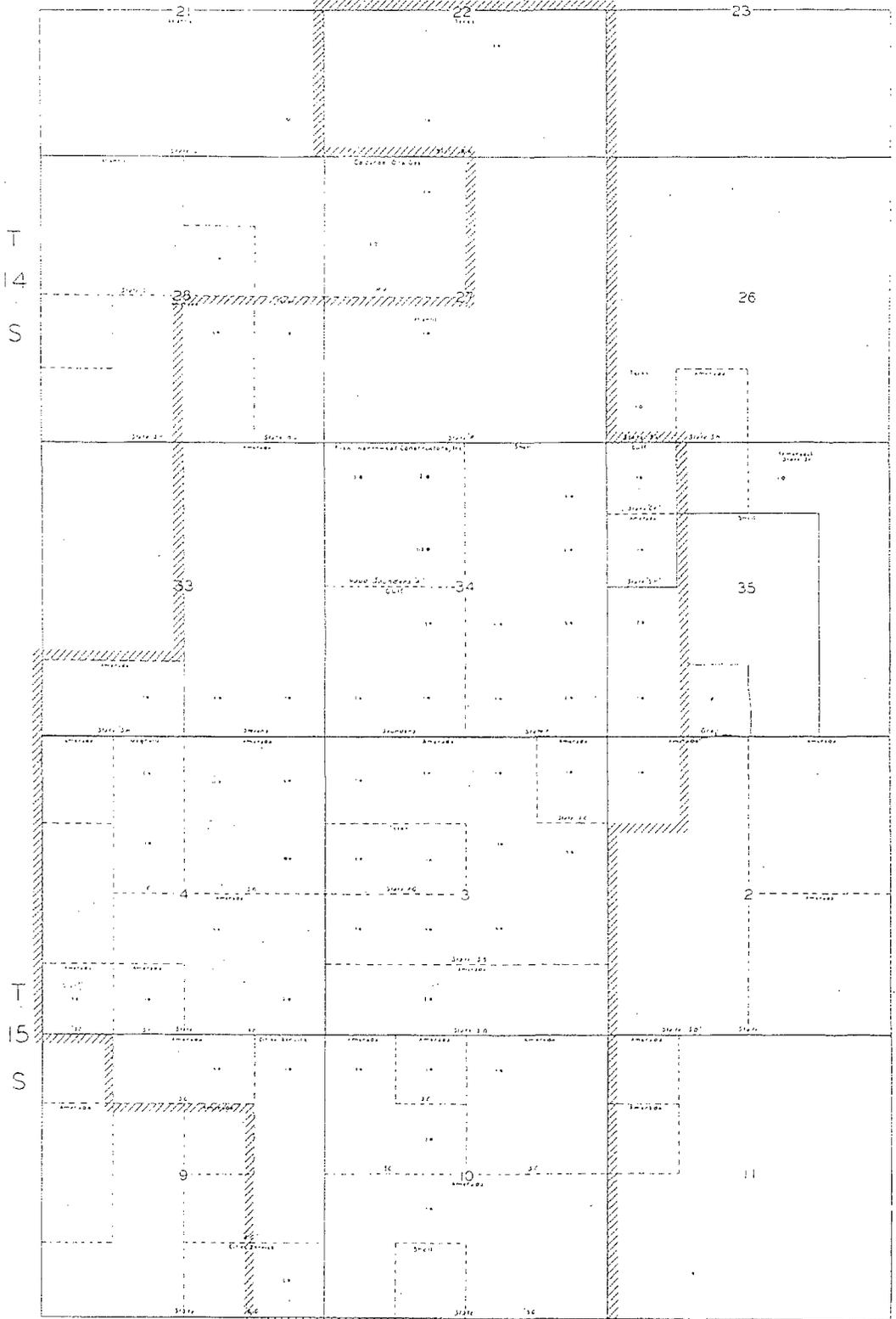
On this 11 day of March, 1958, before me appeared O. F. Sebasta, to me personally known, who being by me duly sworn, did say that he is the Attorney-In-Fact ~~Executive~~ of THE TEXAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said O. F. Sebasta acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal the day and year first above written.

LL My commission expires:
6-1-59

Jean Burdhan
Notary Public

R - 33 - E



////// AREA OUTLINE OF
S.W.D. AGREEMENT

EXHIBIT A
SAUNDERS SALT WATER
DISPOSAL AGREEMENT

LEA COUNTY NEW MEXICO