

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**APPLICATION OF FASKEN OIL AND RANCH, LTD. CASE NO. 11755
FOR TWO ALTERNATIVE UNORTHODOX WELL
LOCATIONS AND A NON-STANDARD PRORATION UNIT,
EDDY COUNTY, NEW MEXICO.**

**APPLICATION OF MEWBOURNE OIL COMPANY CASE NO. 11723
CORPORATION FOR AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

**RESPONSE OF
FASKEN LAND AND MINERALS, LTD.
AND
FASKEN OIL AND RANCH, LTD.
TO
MEWBOURNE OIL COMPANY'S
MOTION TO DISMISS**

Comes now Fasken Land and Minerals, Ltd. and Fasken Oil and Ranch, Ltd, (collectively "Fasken") by and through its attorneys, Kellahin & Kellahin, and responds to Mewbourne Oil Company's ("Mewbourne") Motion to Dismiss Fasken's application in Case 11755 as follows:

The Commission has jurisdiction over Case 11755.

Mewbourne wants to reargue an issue which it lost at the Examiner hearing. Mewbourne continues to grasp at straws with its contention that Fasken Land and not Fasken Oil is the proper applicant. That procedural

pleading issue was resolved by the Division when it granted over Mewbourne's objection, Fasken's Motion for Joinder (with supporting affidavit) to have both Fasken Land and Fasken Oil interplead as applicants in Case 11755. **See Exhibit A attached.**

Fasken again submits the following evidence:

On April 1, 1970, Monsanto Company, as operator, and David Fasken, Len Mayer, Robert L. Haynie, Gulf Oil Corporation, Atlantic Richfield Company, Union Oil Company of California, and Texaco, Inc. as working interest owners, entered into a Joint Operating Agreement.

David Fasken's oil and gas interests subject to the Joint Operating Agreement are now held by Fasken Land and Minerals, Ltd. as owner, and Fasken Oil and Ranch Ltd. as manager, pursuant to a Management Agreement dated December 15, 1995. Fasken Oil and Ranch, Ltd., as manager and on behalf of Fasken Land and Minerals, Ltd, as owner, filed NMOCD Case 11755. The ownership of Fasken Oil and Ranch, Ltd. and Fasken Land and Minerals, Ltd. is identical.

At all times prior to the hearing held on April 3 and 4, 1997, Mewbourne Oil Company had acquiesced to Fasken Oil and Ranch, Ltd. as the successor operator to Monsanto Company of the 1970 Joint Operating Agreement.

At the hearing held on April 3 and 4, 1997, for the first time, Mewbourne Oil Company raised a question about the standing of Fasken Oil and Ranch, Ltd. to be an applicant in Case 11755.

In order that there be no question about the real party applicant in interest, Fasken Land and Minerals, Ltd. requested that it be added as a co-applicant in Case 11755. The Division granted that request.

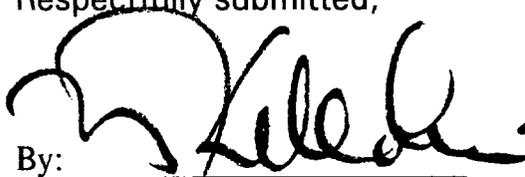
It may be helpful for the Commission to recall Mr. Carroll's question to Mr. Bruce at the May 1, 1997 Examiner hearing:

"Q: (by Carroll) Mr. Bruce, has Mewbourne been prejudiced by naming Fasken Oil and Ranch Limited, rather than Fasken Land and Mineral in the original application?"

"A: (by Bruce) ...I think if you dismiss Fasken's application, they can bring it later."

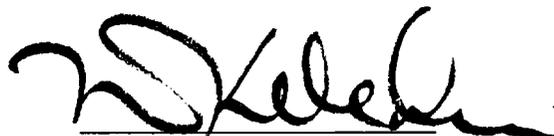
The point is that if Mewbourne's Motion to Dismiss is granted, then Fasken will simply refile its application and we will ultimately get right back where we are now. Mewbourne's motion to dismiss is frivolous and is intended only to delay the Commission from hearing evidence on Fasken's proposed location. The Commission should do what the Division did and that is to again deny Mewbourne's motion.

Respectfully submitted,


By: _____
W. Thomas Kellahin

CERTIFICATE OF SERVICE

I hereby certify that a copy of this motion was mailed to all counsel of record this 28th day of October, 1997.


W. Thomas Kellahin

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 11755

**APPLICATION OF FASKEN OIL AND RANCH, LTD.
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CASE NO. 11723

**APPLICATION OF MEWBOURNE OIL COMPANY
CORPORATION FOR AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

**MOTION FOR JOINDER
OF
FASKEN LAND AND MINERALS, LTD.
AS A
PARTY-APPLICANT**

Comes now Fasken Land and Minerals, Ltd. and Fasken Oil and Ranch, Ltd, by and through its attorneys, Kellahin & Kellahin, and hereby moves that Fasken Land and Minerals, Ltd. be permitted to appear and participate in NMOCD Cases 11723 and 11755 as a party applicant in Case 11755 and in support thereof states:

(1) On April 1, 1970, Monsanto Company, as operator, and David Fasken, Len Mayer, Robert L. Haynie, Gulf Oil Corporation, Atlantic Richfield Company, Union Oil Company of California, and Texaco, Inc. as working interest owners, entered into a Joint Operating Agreement.

(2) David Fasken's oil and gas interests subject to the Joint Operating Agreement are now held by Fasken Land and Minerals, Ltd. as owner, and Fasken Oil and Ranch Ltd. as manager, pursuant to a Management Agreement dated December 15, 1995.

(3) That Fasken Oil and Ranch, Ltd., as manager and on behalf of Fasken Land and Minerals, Ltd, as owner, filed NMOCD Case 11755.

(4) That the ownership of Fasken Oil and Ranch, Ltd. and Fasken Land and Minerals, Ltd. is identical.

(5) At all times prior to the hearing held on April 4, 1997, Mewbourne Oil Company had acquiesced to Fasken Oil and Ranch, Ltd. as the successor operator to Monsanto Company of the 1970 Joint Operating Agreement.

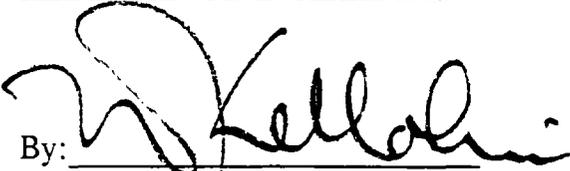
(6) At the hearing held on April 4, 1997, for the first time, Mewbourne Oil Company raised a question about the standing of Fasken Oil and Ranch, Ltd. to be an applicant in Case 11755.

(7) In order that there be no question about the real party applicant in interest, Fasken Oil and Minerals, Ltd. should be added as a co-applicant in Case 11755.

Wherefore, Fasken Land and Minerals, Ltd. and Fasken Oil and Ranch, Ltd. request that the Division grant this motion.

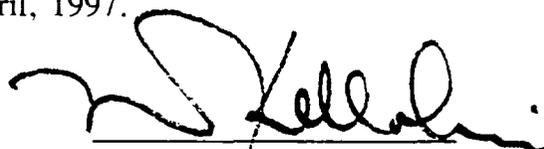
Respectfully submitted,

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin

CERTIFICATE OF SERVICE

I hereby certify that a copy of this motion was mailed to all counsel of record this 25 day of April, 1997.


W. Thomas Kellahin

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 11755

**APPLICATION OF FASKEN OIL AND RANCH, LTD.
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EDDY COUNTY, NEW MEXICO.**

CASE NO. 11723

**APPLICATION OF MEWBOURNE OIL COMPANY
CORPORATION FOR AN UNORTHODOX WELL LOCATION
AND A NON-STANDARD PRORATION UNIT
EDDY COUNTY, NEW MEXICO.**

**AFFIDAVIT
OF
SALLY M. KVASNICKA**

STATE OF TEXAS)
) SS
COUNTY OF MIDLAND)

Before me, the undersigned authority, personally appeared Sally M. Kvasnicka, who being first duly sworn, stated:

A. My name is Sally M. Kvasnicka. I am over the age of majority and am competent to make this Affidavit.

B. I am the petroleum land manager for Fasken Oil and Ranch, Ltd. and have determined that:

(1) On April 1, 1970, Monsanto Company, as operator, and David Fasken, Len Mayer, Robert L. Haynie, Gulf Oil Corporation, Atlantic Richfield Company, Union Oil Company of California, and Texaco, Inc. as working interest owners, entered into a Joint Operating Agreement.

(2) David Fasken's oil and gas interests subject to the Joint Operating Agreement are now held by Fasken Land and Minerals, Ltd. as owner, and Fasken Oil and Ranch Ltd. as manager, pursuant to a Management Agreement dated December 15, 1995, attached as Exhibit "A"

(3) At all times prior to the hearing held on April 4, 1997, Mewbourne Oil Company had acquiesced to Fasken Oil and Ranch, Ltd. as the successor operator to Monsanto Company of the 1970 Joint Operating Agreement.

(4) That Fasken Oil and Ranch, Ltd. is the managing company for the oil and gas properties owned by Fasken Land and Minerals, Ltd.

(5) The ownership of Fasken Land and Minerals, Ltd and Fasken Oil and Ranch, Ltd. is identical.

(6) Fasken Land and Minerals, Ltd. has authorized Fasken Oil and Ranch, Ltd. to sign joint operating agreements, operate its oil and gas properties, file NMOCD applications and to appear at NMOCD hearings on behalf of Fasken Land and Minerals, Ltd.

(7) That Fasken Oil and Ranch, Ltd., as manager and on behalf of Fasken Land and Minerals, Ltd, as owner, filed NMOCD Case 11755.

(8) In order that there be no question about the real party applicant in interest, Fasken Land and Minerals, Ltd. should be added as a co-applicant in Case 11755.

FURTHER AFFIANT SAYETH NOT:

Sally M. Kvasnicka
Sally M. Kvasnicka

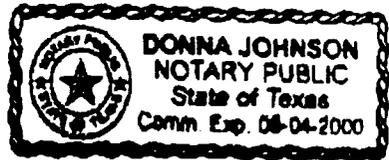
STATE OF TEXAS)
)SS
COUNTY OF MIDLAND)

SUBSCRIBED AND SWORN to before me this 24th day of April 1997
by Sally M. Kvasnicka.

Donna Johnson
Notary Public

My Commission Expires:

(SEAL)



MANAGEMENT AGREEMENT

by and between

FASKEN OIL AND RANCH, LTD.

AND

FASKEN LAND AND MINERALS, LTD.



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unemployment, payroll and other taxes, health, life, disability and other insurance costs, and costs of pension, retirement and other employee benefit plans.

Operating Account. "Operating Account" means that certain account or accounts to be maintained solely by Manager at a commercial bank or banks acceptable to Owner into which all proceeds shall be deposited and all expenses with respect to Owner's Business shall be paid.

Parties. "Parties" shall mean both Manager and Owner.

Person. "Person" means any of the following, an individual, corporation, partnership, limited partnership, joint venture, limited liability company, unincorporated association, trust (including, but not limited to a common law trust or a business trust), estate, or other incorporated or unincorporated entity.

Services. "Services" means all functions, duties and services performed by Manager hereunder for the benefit of Owner in connection with the management of the Business as more particularly described in Section 5.1 hereof.

Subject Interests. "Subject Interests" means all tangible and intangible property both real and personal owned by Owner in connection with the Business.

Total Assets. "Total Assets" for any period, means the total assets of Owner at the end of each quarter during such period determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied.

Term of Agreement. "Term of Agreement" means the period from the date hereof until this Agreement is terminated or otherwise expires pursuant to Article X hereof.

Section 1.2 Construction. Whenever the context requires, the gender of all words used herein shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural.

Section 1.3 References. Unless otherwise specified, the references herein to "Sections", "Subsections" or "Articles" refer to the sections, subsections or articles in this Agreement.

ARTICLE II.

Appointment of Manager

Section 2.1 Appointment. Owner hereby appoints Manager to conduct the Business by and on behalf of, and for the account of, Owner, pursuant to and as set forth in this Agreement. Owner shall at all times have and retain ultimate control over its business and operations.

Section 2.2 Acceptance. Manager hereby accepts the appointment and agrees to perform the duties and obligations herein imposed in a prudent manner, consistent with generally accepted standards for businesses similar to the Business.

Section 2.3 Legal Ownership Retained in Owner. Except insofar as certain properties or assets may be conveyed to Manager by Owner, Manager shall not take title to any properties owned of record or beneficially by Owner during the Term of Agreement except for cash and cash equivalents invested by manager for the account of Owner, all of which will be segregated on the books and records of Manager as provided in Section 8.2. Any addition to the assets of Owner purchased, leased or otherwise acquired with Owner's funds or securities shall be acquired in the name of Owner.

Section 2.4 Duties Retained by Owner. Owner shall remain responsible for (i) making all decisions required of Owner under this Agreement, and (ii) such other duties as shall be specifically identified in writing by Owner to Manager.

Section 2.5 Power of Attorney. By execution of this Agreement, Owner does hereby irrevocably make, constitute and appoint Manager as its true and lawful attorney with full power and authority in its name, place and stead to execute, swear to, acknowledge, deliver, file, record in the appropriate public offices and publish any and all contracts, agreements, instruments, and other documents of any kind or nature related to, arising out of or in connection with the Business or the Manager's performance of this Agreement.

During the Term of Agreement, the power of attorney granted herein shall be irrevocable and a power coupled with an interest, shall survive the death, incompetency, bankruptcy, dissolution or other termination of Owner, shall extend and be binding upon Owner's successors and assigns and shall continue in full force and effect regardless of the occurrence of any of the foregoing. Owner hereby agrees to be bound by any such contracts, agreements, instruments, and other documents executed or otherwise entered into by the attorney and agent acting in good faith pursuant to such power of attorney, and hereby waives

any and all defenses which may be available to contest, negate, or disaffirm any action of the attorney and agent taken under such power of attorney except in cases of bad faith, gross negligence or willful misconduct.

Section 2.6 Evidence of Authority; Attorney-In-Fact. Owner shall execute such (i) letters of instruction to all appropriate third parties instructing such third parties to deal with Manager with respect to all issues relating to the Subject Interests and to make all payments due with respect to the Subject Interests either to Manager, or directly to Owner in care of Manager's address, and (ii) powers of attorney authorizing and empowering certain representatives of Manager to carry out the rights and duties set forth herein, including the ability to deposit all such third party payments into the Operating Account without further action by Owner.

ARTICLE III.

Status of Manager

Section 3.1 Independent Contractor. In performing the Services, Manager shall be an independent contractor, and Manager shall not be deemed for any purpose to be an agent, servant, employee or representative of Owner. Manager shall have full legal charge and control of its employees, agents and equipment engaged in the performance of the Services. Owner shall have no control or right of control of Manager, its subcontractors, or any of their employees and agents, or of the method or means by which the Services are to be performed.

Section 3.2 Reliance on Manager's Authority. Any person is entitled to rely on this Agreement as granting to Manager the power and authority to perform the Services and manage the Subject Interests on behalf of Owner. Although Owner acknowledges that no further action or documentation is required to be given by Owner to authorize or empower Manager to perform the Services and manage the Subject Interests on behalf of Owner, Owner agrees to furnish promptly to Manager whatever documentation, or to take promptly whatever action, is required by manager to evidence such power and authority of Manager under this Agreement.

ARTICLE IV.

Authority and Responsibility of Manager

Section 4.1 General. Manager shall have the authority and the responsibility for the supervision and management of the day-to-day operations of the Business. Manager agrees, to the extent that adequate funds exist in the Operating Account or are otherwise made

available to Manager, to manage the Business in a prudent manner, consistent with generally accepted standards for businesses similar to the Business. Except as set forth in Sections 6.3 and 6.4 hereof, Manager shall have no obligation to advance funds for the account of Owner or to pay any sums of its own in connection with the performance of the Services.

Section 4.2 Compliance with Laws. Manager shall be responsible for full compliance with federal, state and municipal laws, ordinances, regulations and orders relative to the use, operation, development and maintenance of the Business. Manager shall use reasonable efforts to remedy any violation of any such law, ordinance, rule, regulation or order which comes to its attention. If the violation is one for which Owner might be subject to penalty, Manager shall promptly notify Owner of such violation to allow actions to be made to remedy the violation, and Manager shall transmit promptly to Owner a copy of any citation or other communication received by Manager setting forth any such violation.

Section 4.3 Compliance With Obligations. Manager, to the extent such matters are within its control, shall use reasonable efforts to cause compliance with all terms and conditions contained in any contract, agreement, judicial, administrative or governmental order or other contractual instrument affecting the Business; provided, however, that, except as otherwise set forth herein, Manager shall not be required to make any payment or incur any liability on account thereof. Manager shall promptly notify Owner of any violation of any covenant in such instruments or agreements.

ARTICLE V.

Administrative Services

Section 5.1 Provision of Administrative Services. Manager shall provide the Services to Owner, subject to the general approval and direction of Owner. The Services shall mean the following:

(a) providing Owner with such office space, equipment, facilities and supplies, and the services of such secretarial, clerical and other personnel as may be required for the reasonable conduct of the Business;

(b) making such arrangements with and employing, at the expense and for the benefit of Owner, such accountants, attorneys, banks, transfer agents, custodians, underwriters, engineers, technical consultants, insurance companies and other persons as may from time to time be requested by Owner or may reasonable be necessary to manage the Business;

(c) maintaining in good order the books and accounts, ledgers and records of Owner and performing all day-to-day accounting functions of Owner, including, without limitation, matters related to paying and receiving, billing, reserve estimates, contract coordination and administration and tax return preparation. Without limiting the generality of the foregoing, Manager shall prepare, or assist in the preparation of, all requisite accounting reports and interim financial statements of Owner, including balance sheets, statements of operations, changes in partnership's equities and cash flow and shall assist Owner, if requested, in selecting an independent public accounting firm for the purpose of conducting annual financial audit reviews of Owner or Manager and shall aid in coordinating such audits;

(d) negotiating, administering and terminating contracts, by and on behalf of Owner, in the ordinary course of Business. Contracts that, by their terms, involve amounts in excess of \$750,000 shall not be entered into by Manager without the prior approval of Owner.

(e) timely preparing and filing on behalf of Owner, all tax returns, reports, forms, documents, certificates and other instruments required by federal, state and municipal tax authorities, regulatory agencies, including federal and state energy regulatory agencies, and other governmental bodies in order to lawfully conduct the Business;

(f) analyzing reports, economic data and other information relating to the Business and periodically reporting to Owner all such information obtained and analyzed, including making recommendations with respect thereto;

(g) maintenance activities, including overseeing and managing the interests of Owner in the various partnerships, joint ventures, companies and other entities in which Owner has an interest;

(h) providing Owner, at its request, with relevant information for assessing the value of, or making decisions with respect to the acquisition, funding, management or disposition of, existing or future assets or investments of Owner;

(i) advising Owner of any potential investments coming to its attention in which Manager believes Owner may be interested and which are within the scope of the Business; and

(j) taking such other actions and performing such other services as are deemed necessary, customary or appropriate in the opinion of Manager to conduct the Business.

Section 5.2 Required Owner Approval. Owner must specifically approve the following matters before they are undertaken by Manager for the account of Owner, and notwithstanding any other provision hereof, none of the following shall be undertaken without Owner's prior approval:

- (a) entering into of capital leases or making of capital expenditures in excess of \$750,000;
- (b) execution of any agreements for borrowing of funds (other than trade accounts payable incurred in the ordinary course of the Business) on a long-term basis;
- (c) loan, pledge, hypothecation or other encumbrance of any Subject Properties;
- (d) acquisition or disposition of any material Subject Properties, other than in the ordinary course of business or as contemplated herein; and
- (e) initiation or compromise of any single litigation matter (or settling or any single claim) with a cost to Owner of \$750,000 or more;

Notwithstanding any provision of this Agreement to the contrary, Manager shall have no authority to take any action that will contravene Owner's Limited Partnership Agreement.

Section 5.3 Service Fee. Owner shall pay a fee for the services rendered hereunder ("Service Fee") of ten thousand dollars (\$10,000) per month to Manager. The Service Fee shall be due and payable in arrears within 10 days of the end of each month.

ARTICLE VI.

Personnel Administration

Section 6.1 General. Manager shall have in its employ or available to it at all times during the Term of Agreement a sufficient number of personnel to enable it to properly and adequately manage, operate, maintain, and account for the Business as herein provided. All matters pertaining to the employment, supervision, compensation, promotion and discharge of any employees or personnel of Manager are the responsibility of Manager, who is in all respects the employer of any such employees. All such employment arrangements are solely Manager's concern and responsibility and, other than as set forth in Section 6.5 hereof, Owner

shall have no liability with respect thereto.

Section 6.2 Employees. Manager shall determine the number and qualifications of employees needed in the performance of the Services for the operation of the Business.

Section 6.3 Consultants and Others. Except as otherwise provided herein, Manager shall have the power and authority to retain and pay as independent contractors, on behalf of and for the account of Owner lawyers, accountants, engineers, contractors, technical consultants, architects, appraisers, and others in connection with the conduct of the Business.

Section 6.4 Payment of Out of Pocket Expenses. Manager shall pay all out of pocket expenses of Manager and its employees, agents and consultants including travel, food, lodging, entertainment and similar expenses ("Out of Pocket Expenses"), pursuant to the policies and procedures established by Manager for the payment or reimbursement of such costs with respect to activities conducted for Owner.

Section 6.5 Reimbursement of Manager's Costs and Expenses. Owner shall reimburse Manager, within thirty days after the end of each month during the Term of Agreement, for all Compensation Expenses and Out of Pocket Expenses paid by Manager allocable to and on behalf of Owner or in connection with the Business during such month.

ARTICLE VII.

Financial Administration

Section 7.1 Operating Account. Manager shall collect and process all revenues and other income relating to the Business due or received from third parties, including lessees, operators, purchasers of hydrocarbons and other relevant third parties, and shall segregate the same in its books of account and shall promptly remit such funds into the Operating Account. Provided funds are available in the Operating Account, Manager shall pay all costs, expenditures, fees, and other payments due with regard to the Business or the contracts related thereto from the Operating Account. Notwithstanding Manager's payment or such amounts due, Owner shall be responsible for all amounts due with regard to the Business and the contracts related thereto and, except as is expressly provided herein to the contrary, other expenses incurred in connection with the ownership and operation of the Business. On a monthly basis, Manager shall cause all cash funds in the Operating Account that Manager reasonably determines are not needed for the payment of existing or foreseeable (within 90 days) Owner obligations and expenditures to be paid to Owner.

Section 7.2 Cash Management. Manager shall implement a cash management system

for the cash and cash equivalents of Owner. Manager may invest the funds of Owner, provided, that Manager shall maintain accurate records with respect to such cash and cash equivalents of Owner.

ARTICLE VIII.

Access to Information, Books and Records

Section 8.1 Access to Owner's Book and Records. Manager and its duly authorized representatives shall have complete access to Owner's offices, facilities and records wherever located, in order to discharge Manager's responsibilities hereunder. All records and materials furnished to Manager by Owner in performance of this Agreement shall at all times during the Term of Agreement remain the property of Owner.

Section 8.2 Access to Manager's Books and Records. Owner and its duly authorized representatives shall have complete access to Manager's books and records with regard to Owner's Business and the right, at Owner's election and expense, to conduct such audits as it deems appropriate.

ARTICLE IX.

Conflicts of Interest and Good Faith

Section 9.1 Other Activities. Owner acknowledges that Manager may own, manage and/or operate assets that compete directly with the Business of Owner and may own, manage and/or operate additional business and assets in the future that may compete with the Business of Owner, and Owner agrees that Manager shall have no liability or accountability to Owner for any such competing activities or interests or any profits or value generated therefrom.

ARTICLE X.

Term and Termination of Agreement

Section 10.1 Initial Term. The initial term of this Agreement shall be for a three-year period beginning on the Commencement Date. Thereafter, this Agreement shall automatically renew for successive one-year periods until terminated by either party in accordance with the provisions of this Article.

Section 10.2 Termination. This Agreement may be terminated on the first to occur of the following:

(a) In the event the parties shall mutually agree in writing, this Agreement may be terminated on the terms and dates stipulated therein.

(b) Following the initial three-year term hereof, either party may, with or without cause, terminate this Agreement on any anniversary date hereof by giving to the other party at least 60 days advance written notice of its intent to terminate, whereupon this Agreement shall terminate on the future date specified in such notice.

(c) Subject to events of force majeure (as provided in Section 11.6 hereof), in the event either party shall fail to discharge any of its material obligations hereunder, or shall commit a material breach of this Agreement, and such default or breach shall continue for a period of 30 days after the other party has served notice of such default, this Agreement may then be terminated at the option of the non-breaching party by notice thereof to the breaching party.

(d) Dissolution or termination of either Manager or Owner; or cessation to do business; or bankruptcy, insolvency, foreclosure or conveyance in lieu of foreclosure, or assignment for the benefit of their creditors of either Manager or Owner shall effect an immediate termination of this Agreement at the election of other Party.

Section 10.3 Effects of Termination. The termination of this Agreement in accordance with the provisions of this Article shall have the following effects:

(a) Except for the covenants or other provisions herein that by their terms expressly extend beyond the Term of Agreement, the Parties' obligations hereunder are limited to the Term of Agreement.

(b) In the event this Agreement is terminated for any reason, Manager shall immediately deliver possession to Owner of all assets, books and records of Owner in its possession.

(c) Upon a termination of this Agreement (for whatever cause), Owner shall pay to Manager the amount of any and all Service Fee, Compensation Expense and Out of Pocket Expense accrued to the date of such termination which are payable by Owner to Manager in accordance with the provisions hereof.

(d) Upon termination of this Agreement by Owner, Owner shall reimburse Manager for all amounts incurred by Manager in connection with its activities under this Agreement. Without limiting the foregoing, Owner shall (i) hire or pay the reasonable costs of terminating all of Manager's employees used to conduct Owner's Business, (ii) lease or

reimburse Manager for all or a portion of the rental of any facilities or equipment used by Manager under the Agreement which use was discontinued or reduced by termination of this Agreement, and (iii) succeed to or indemnify Manager for any contracts or agreements entered into by Manager relating to the Business.

ARTICLE XI.

Miscellaneous

Section 11.1 Relationship of Parties. This Agreement does not create a partnership, joint venture or association; nor does this Agreement, or the operations hereunder, create the relationship of lessor and lessee or bailor and bailee. Nothing contained in this Agreement or in any agreement made pursuant hereto shall ever be construed to create a partnership, joint venture or association, or the relationship of lessor and lessee or bailor and bailee, or to impose any duty, obligation or liability that would arise therefrom with respect to either or both of the Parties except as otherwise expressly provided in this Agreement or any agreement made pursuant hereto.

Section 11.2 No Third Party Beneficiaries. Except to the extent a third party is expressly given rights herein, any agreement to pay an amount and any assumption of liability herein contained, expressed or implied, shall be only for the benefit of the Parties and their respective legal representatives, successors and assigns, and such agreement or assumption shall not inure to the benefit of the obligees of any indebtedness of any other party whomsoever, it being the intention of the parties hereto that no person or entity shall be deemed a third party beneficiary of this Agreement except to the extent a third party is expressly given rights herein.

Section 11.3 Notices. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered or mailed by prepaid certified mail, return receipt requested, addressed as follows:

- (i) if to Owner, to:

Fasken Land And Minerals, Ltd.
303 West Wall Avenue, Suite 1900
Midland, Texas 79701
Attention: General Partner

(ii) if to the Manager, to:

Fasken Oil And Ranch, Ltd.
303 West Wall Avenue, Suite 1900
Midland, Texas 79701
Attention: General Partner

or to such other address and to the attention of such other person or officer as either Party may designate by written notice pursuant to this Section 11.3.

Section 11.4 Governing Law. THIS AGREEMENT HAS BEEN EXECUTED AND DELIVERED IN AND SHALL BE INTERPRETED, CONSTRUED AND ENFORCED PURSUANT TO AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 11.5 Assignment. No assignment of this Agreement or any of the rights or obligations set forth herein by either Party shall be valid without the specific written consent of the other party.

Section 11.6 Force Majeure. Neither party shall be liable nor deemed to be in default for any delay or failure of performance under this Agreement or other interruption of service or employment resulting directly or indirectly from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, strikes or other work interruptions by either Party's employees or agents or any similar or dissimilar cause beyond the reasonable control of either Party.

Section 11.7 Severability. In the event any provision of this Agreement is held to be unenforceable for any reason, such provision shall be severable from this Agreement if it is capable of being identified with and apportioned to reciprocal consideration or to the extent that it is a provision that is not essential and the absence of which would not have prevented the Parties from entering into this Agreement. The unenforceability of a provision that has been performed shall not be grounds for invalidation of this Agreement under circumstances in which the true controversy between the Parties does not involve such provision.

Section 11.8 Entire Agreement of Parties; Amendment. This Agreement contains the full and complete agreement between the Parties with respect to the subject matter hereof and supersedes all other written or oral agreements between the Parties relating to the subject matter hereof. The Agreement may be amended or modified at any time and from time to time by the Parties; provided that no modification or amendment hereof shall be given effect

unless such modification or amendment is made in a written instrument executed by both Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives as of the day and year first above written.

FASKEN OIL AND RANCH, LTD.

By: FASKEN MANAGEMENT, L.L.C.,
general partner

By: Norbert J. Dickman
Norbert J. Dickman,
Vice President and Manager

FASKEN LAND AND MINERALS, LTD.

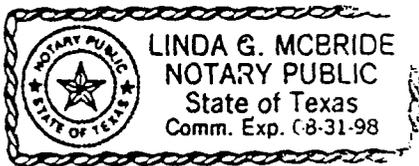
By: FASKEN MANAGEMENT, L.L.C.,
general partner

By: Norbert J. Dickman
Norbert J. Dickman,
Vice President and Manager

ACKNOWLEDGEMENTS

THE STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on 3/6, 1996 by NORBERT J. DICKMAN, Vice President of FASKEN MANAGEMENT, L.L.C., general partner of FASKEN OIL AND RANCH, LTD., a Texas limited partnership, on behalf of said limited partnership.



Linda G. McBride
Notary Public In and For the State of Texas

Printed Name: Linda McBride
My Commission Expires: 8-31-98

THE STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on 3/6, 1996 by NORBERT J. DICKMAN, Vice President of FASKEN MANAGEMENT, L.L.C., general partner of FASKEN LAND AND MINERALS, LTD., a Texas limited partnership, on behalf of said limited partnership.



Linda G. McBride
Notary Public In and For the State of Texas

Printed Name: Linda McBride
My Commission Expires: 8-31-98