R-712-A

ASSIGNMENT OF OIL AND GAS LEASES

PRIVATELY OWNED LANDS

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, SUNRAY OIL CORPORATION, a Delaware corporation, the address of which is First National Building, Tulsa, Oklahoma (hereinafter called "Assignor"), for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the full receipt and sufficiency of which is hereby acknowledged, does hereby sell, assign, transfer, set over, and convey unto EL PASO NATURAL GAS COMPANY, a Delaware corporation, the address of which is Bassett Tower, El Paso, Texas (hereinafter called "Assignee"), its successors and assigns, all right, title and interest of Assignor in and to those certain oil and gas leases described in Exhibit "A" attached hereto and made a part hereof for all purposes, in so far only as such interests or rights pertain to the right to explore for and produce gas from zones and/or formations down to and including the Mesaverde formation, and subject to the exceptions and reservations hereinafter set forth.

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, forever, subject, however, to the following:

1. In said leases there are excepted and reserved to lessors certain royalties in the oil and gas produced from and under said leases, and in assignments of certain of said leases there is reserved to the Assignor certain overriding royalties, reference being made to said leases and assignments for a more particular description of the terms thereof, and this assignment is made expressly subject to such royalties and overriding royalties with which said leases are presently burdened.

2. Assignor hereby excepts, reserves and retains unto itself, its successors and assigns, the following:

A. An overriding royalty on Assignor's interest in all gas produced and saved from the said leases and the lands included in same as follows:

(1) 5¢ per mcf (1,000 cubic feet) on all such gas produced and saved during the first 3-1/3 years after the date hereof.

(2) 6¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

ILLEGIBLE

NM-804

NM-806

(3) 7¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(4) 8¢ per mcf on all such gas produced and saved during the next one year thereafter.

(5) 9¢ per mcf on all such gas produced and saved during the next three years thereafter.

(6) 10¢ per mcf on all such gas produced and saved during the next one year thereafter.

(7) Not less than 10¢ per mcf on all such gas produced and saved thereafter.

The volume of gas, upon which the overriding royalties described above shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix thereto and subsequent amendments and appendices from time to time. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the said lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

The overriding royalties specified in (7) above shall in no event be less than the amount stated therein but shall be arrived at as follows: approximately ninety (90) days prior to the end of the first fifteen (15) years following the date hereof the parties shall attempt to agree upon the amounts of such overriding royalties for the next five-year period. If the parties agree upon such overriding royalties, then such amounts shall be the overriding royalties to be received by Assignor hereunder for such period. If the parties cannot agree upon such amounts, then such amounts shall be determined by a board of arbitrators to be appointed as provided in the agreement between the parties dated September 26, 1952, hereinafter mentioned. The board of arbitrators in determining the amounts of such overriding royalties, shall base their decision on the then value of such gas at the well head, considering only quality and pres-

sure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of Assignee's pipe lines or gathering systems or of any pipeline system to which any of Assignee's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amounts of such overriding royalties. The overriding royalties reserved by Assignor above shall be determined for each five-year period after the twentieth year following the date hereof in like manner to that provided above for the five-year period next following the fifteenth year after the date hereof, but in no event shall the amount of such overriding royalties be less than 10¢ per mcf.

B. An overriding royalty in the amount of thirty-three and one-third per cent (33-1/3%) of Assignor's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from the said lands and leases. At Assignor's option, Assignee shall deliver to Assignor the fair market value thereof in cash. At all times prior to the completion of construction and commencement of operations by Assignee of a plant for extraction of such liquids, Assignee shall pay to Assignor in cash the estimated value of thirty-three and one-third per cent (33-1/3%) of all liquids produced with or contained in gas produced from the said land and applicable to Assignor's interest therein, regardless of whether such liquids are extracted from the gas.

C. All oil in, to and under the said lands and leases, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

D. All gas and other hydrocarbon substances in, to and under the said lands and lease in all formations below the Mesaverde formation, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and constructing and operating all facilities necessary or appropriate in connection therewith.

3. The said overriding royalties and other interests excepted and reserved herein are more fully described in a certain Oil and Gas Lease Sale Agreement between Assignor and Assignee, dated September 26, 1952, and recorded

in the official records of the County Clerk of San Juan County, New Mexico, in Volume _____, Page _____, reference to which agreement and the record thereof is hereby made for all purposes, and the terms and provisions of which agreement are all incorporated herein by reference the same as though set forth verbatim herein. In the event of any inconsistency between the provisions of this assignment and said Oil and Gas Lease Sale Agreement, the provisions of said Oil and Gas Lease Sale Agreement shall control.

4. For the same consideration, Assignor covenants with Assignee, its successors and assigns, that Assignor will warrant and forever defend unto Assignee, its successors and assigns, the title to the entire interest of Assignor in and to the said lands and leases purported to be assigned herein against any person or persons claiming or to claim any interest therein by, through, or under Assignor only.

5. Assignee, by its acceptance upon delivery of this assignment, warrants and agrees that it will comply with all terms, provisions and conditions of the agreement dated September 26, 1952, mentioned hereinabove, and, subject to the terms thereof, that it will comply with all obligations of the leases hereby assigned and that it hereby assumes and agrees to pay, as and when the same shall become due and payable, all royalty interests under the leases hereby assigned applicable to all gas and other hydrocarbons produced and saved by Assignee.

EXECUTED at Tulsa, Oklahoma, on this ____ day of _____, 1953.

ATTEST:

SUNRAY OIL CORPORATION

_____ Secretary

By _____ Vice President

STATE OF OKLAHOMA)
) ss
COUNTY OF TULSA)

On this 14th day of February, 1953, before me appeared _____ N. W. Manley, to me personally known, who, being by me duly sworn, did say that he is Vice President of SUNRAY OIL CORPORATION, a Delaware 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 _____ N. W. Manley acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public in and for Tulsa County, Oklahoma

My commission expires:

My commission expires Nov. 8, 1954

ILLEGIBLE

EXHIBIT "A"

1. Oil and gas lease dated April 1, 1949, executed by C. H. Nye and Linda Nye, husband and wife, as lessor, in favor of Barnsdall Oil Company, as lessee, covering the following described lands situated in San Juan County, State of New Mexico, to-wit:

NM-805

NE¼ NW¼ SE¼ Section 3, Township 30 North, Range 10 West, N.M.P.M., New Mexico,

containing 10 acres, more or less, and recorded in Book 135, at Page 337, in the office of the Register of Deeds of said County and State.

2. Oil and gas lease dated September 1, 1948, executed by Saul A. Yager and his wife, Marian Yager, as lessor, in favor of Wayne Moore, as lessee, covering the following described lands situated in San Juan County, State of New Mexico, to-wit:

NM 806

NW¼ NW¼ SE¼ Section 3, Township 30 North, Range 10 West, N.M.P.M., New Mexico,

containing 10 acres, more or less, and recorded in Book 135, at Page 73, in the office of the Register of Deeds of said County and State.

3. Oil and gas lease dated March 13, 1946, executed by Thomas Jacques and his wife, Lillie P. Jacques, as lessor, in favor of C. H. Nye, as lessee, covering the following described lands situated in San Juan County, State of New Mexico, to-wit:

S½ S½ Section 34, Township 31 North, Range 10 West, N.M.P.M., New Mexico,

containing 160 acres, more or less, and recorded in Book 89, at Page 511, in the office of the Register of Deeds of said County and State.

4. Oil and gas lease dated January 24, 1949, executed by John A. Pierce and his wife, Katharine L. Pierce, as lessor, in favor of C. H. Nye, as lessee, covering the following described lands situated in San Juan County, State of New Mexico, to-wit:

NM 804

Lot 2, or the NW¼ NE¼, and Lot 3, or the NE¼ NW¼, Section 3, Township 30 North, Range 10 West, N.M.P.M., New Mexico,

containing 80 acres, more or less, and recorded in Book 135, at Page 233, in the office of the Register of Deeds of said County and State.

R-712-B

FRED C. KOCH
321 West Douglas
WICHITA, 2, KANSAS

August 5, 1953

El Paso Natural Gas Company
Tenth Floor - Bassett Tower
El Paso, Texas

ATT'N: SAM SMITH

Re: K 559-2924
De Jarnette Lease
SW/4 NE/4; SW/4 NW/4 SE/4
Sec. 3-30N-10W
San Juan County, New Mexico

Communitization E/2 3-30-10
San Juan County, New Mexico

Gentlemen:

I hereby consent and agree to the Communitization of the above location, and will be pleased to execute your standard form of Communitization Agreement covering the above tract, when you submit same, and provided it does not contain any unusual terms and provides for participation in the unit on the usual acreage basis.

Yours truly,

FRED C. KOCH

BY: C C Chase

FCKoch/mb

File: Case #712

R-712-C

OPERATING AGREEMENT
Koch Pool Unit # 1

THIS AGREEMENT, made and entered into this 1st day of August, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, hereinafter sometimes referred to as "Operator"; and Fred C. Koch, and wife, Mary R. Koch, whose address is 321 West Douglas, Wichita, Kansas, herinafter sometimes referred to as "Non-Operators":

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of certain Oil and Gas Leases, which leases cover, among other lands, the following described land in San Juan County, New Mexico, to-wit:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: E/2
containing 320.68 acres, more or less; and

WHEREAS, it is the desire of the parties hereto to enter into an Operating Agreement covering the development and operation of the above described tract as hereinafter set out:

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter contained to be kept and performed by the parties hereto, said parties do hereby agree as follows:

1. FORMATION OF UNIT

For the purposes hereof, it is agreed that the aforementioned leases, insofar as they apply to the above described lands, are hereby pooled and communitized to form a unit covering only the Mesaverde formation in and under the land described above. It being the intention of the parties hereto in forming said unit to pool and communitize all leases which they may now own or which they may hereafter acquire covering any interest in the communitized unit. Such unit is created by the Communitization Agreement bearing the same date as this Operating Agreement, executed by the owners of mineral interests in the land above described.

2. OPERATOR

El Paso Natural Gas Company is hereby designated and shall act as Operator of such unit in accordance with the terms and provisions of this Agreement. Operator shall

NM 1205
NM 806
NM 805
NM 804
NM 653

have full and complete management of the development and operation of the said unit for dry gas and associated luquid hydrocarbons producible from the Mesaverde formation as an entirety, but Operator agrees that no well shall be commenced upon the said unit, except the well hereinafter provided for, without the consent of Non-Operators.

El Paso Natural Gas Company may resign as Operator at any time by giving notice to each Non-Operator in writing sixty (60) days in advance of the effective date of such resignation and, in such event, the working interest owners of said unit shall immediately select a successor. In the event El Paso Natural Gas Company shall sell or otherwise dispose of all its interest in said unit, the right of operation herein contained shall not run with the transfer or assignment of such interest or inure to the benefit of El Paso Natural Gas Company's Assignee, but Non-Operators and El Paso Natural Gas Company's Assignee shall immediately select a new Operator.

3. WELL

Operator shall commence or cause to be commenced drilling operations for the joint account of the parties hereto and shall thereafter drill said well to a depth sufficient to test the Mesaverde formation, unless salt, anhydrite, cavities, heaving shale, abnormal water flow, or impenetrable substances are encountered in said well at a lesser depth. The parties hereto may also mutually agree to discontinue drilling operations at a lesser depth. Upon completion of said well, if it is a commercial well, Operator shall notify Non-Operators of the date said well is tied in to a gas gathering system.

In the event a well capable of producing gas in paying quantities is shut-in, Operator shall immediately notify Non-Operators thereof; except that Operator shall not be required to notify the Non-Operators if the well should be shut down for limited periods of time in order to balance production during peak load periods or for reasons of making mechanical repairs. All production obtained from the unit area and all material and equipment acquired hereunder for the joint account of the parties hereto shall be owned by the parties hereto in the proportions hereinafter specified in Article 4 of this Agreement.

4. COSTS AND EXPENSES

The entire costs and expenses involved in drilling, completing and operating said well, if said well is a commercial well, or in plugging and abandoning if said well is a dry hole or non-commercial well, shall be borne by the parties hereto, as follows:

El Paso Natural Gas Company----------84.4%
Fred C. Koch----------15.6%

Unless Operator elects to require any Non-Operator to advance its share of the costs and expenses, as hereinafter provided, Operator shall initially advance and pay all costs and expenses for the drilling of the well provided for in Article 2 hereof, as well as future expenses of said unit, and shall charge each Non-Operator with its pro rata part thereof on the basis of the proportionate interest in the unit as set out above.

All such costs, expenses, credits and related matters, and the method of handling the accounting with respect thereto, shall be in accordance with the provisions of the Accounting Procedure, attached hereto as Exhibit "A" and made a part hereof for all purposes, provided, however, that the Operator shall not apportion any part of the salaries and expenses of its District Superintendent, or other general district employees or of the district office expenses to the joint account as provided in paragraph 11 of Section II of said Exhibit "A", as attached hereto; and the monthly per well overhead rates set forth under paragraph 12 of Section II of said Exhibit "A", as attached hereto, shall be in lieu of any charges for any part of the compensation or salaries paid to Operator's District Superintendent and to other general district employees and shall be in lieu of any charges for district office expenses as well as Operator's division office and principal business office expenses and of any charge for field office and camp expenses, but shall not be in lieu of any charge for any part of the compensation, salaries, and related expenses of any of Operator's field crew and direct supervision of such crew directly engaged in the operation of Operator's wells in the area.

In the event of any conflict between the provisions contained in the body of this Agreement, and those contained in said Exhibit "A", the provisions of this Agreement shall govern to the extent of such conflict.

In the event that Operator elects to require any Non-Operator to advance its proportionate share of the above mentioned costs and expenses, Operator shall submit an itemized estimate of such costs and expenses for the succeeding calendar month to such Non-Operator, showing therein the proportionate part of the estimated costs and expenses chargeable to such Non-Operator. Within fifteen (15) days after receipt of said estimate, such Non-Operator shall pay to the Operator its proportionate share of the estimated costs and expenses. If payment of the estimated costs and expenses is not made when due, the unpaid balance thereof shall bear interest at the rate of six per cent (6%) per annum from the due date until paid. Adjustments between estimated and actual costs and ex-

penses shall be made by Operator at the close of each calendar month and the account of the respective parties adjusted accordingly.

The well to be drilled on the communitized unit shall be drilled on a competitive contract basis at the usual rates prevailing in the field. However, Operator, if it so desires, may employ its own tools and equipment; in such event the cost of drilling shall include, but shall not be limited to, the following charges: (a) all direct material and labor costs (b) a proportionate amount of applicable departmental overheads and undistributed field costs (c) rental charge on company equipment employed; all such charges to be determined in accordance with Operator's accounting practice, provided that, in no event shall the total of such charges exceed the prevailing rate in the field, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

Operator shall make no single expenditure in excess of One Thousand Dollars ($1,000.00) without first obtaining the consent thereto of Non-Operator. The approval of the drilling of the well provided for hereinabove, however, shall include all expenditures for the drilling, completing, testing and equipping such well.

5. RENTALS

Each party hereto agrees to pay all rentals and/or shut-in royalty which may become due under the lease or leases which such party is contributing to such unit hereunder, and Operator shall not have any obligation to pay any such rentals and/or shut-in royalty except as to the lease contributed by Operator. Each party further agrees to use its best efforts to keep and maintain in full force and effect the oil and gas lease(s) contributed by such party to said unit.

6. INSURANCE

Operator shall at all times while conducting operations hereunder, carry and require its contractors and their sub-contractors to carry insurance to protect and save the parties hereto harmless, as follows:

A. Workmen's Compensation and Employer's Liability Insurance sufficient to comply with the Workmen's Compensation Law for the State of New Mexico.

B. Comprehensive General Public Liability Insurance with limits of not less than $50,000 per person and $100,000 per accident, and General Public Liability Property Damage with limits of not less than $50,000 per accident.

C. Automobile Public Liability Insurance including non-owned and hired automobile endorsement with limits of not less than $50,000 per person and $100,000 per accident, and Automobile Property Damage Insurance with a limit of not less than $50,000 per accident.

All costs and actual expenditures incurred and paid by Operator in settlement of any or all losses, claims, damages and judgments which are not covered by such insurance and other expenses, including legal services connected therewith, shall be charged to the joint account. Provided that prior to settlement of any claims, damages, or losses and/or judgments which are not covered by the above insurance and which are to be charged to the joint account, Operator shall give the concurrence of Non-Operators before any settlement is made.

7. DISPOSAL OF PRODUCTION

Each of the parties hereto shall own and be entitled to the right, at its own expense to take in kind or separately dispose of its proportionate part of all gas and casinghead gas or liquid hydrocarbons produced and saved from the acreage covered hereby, including the right to construct and maintain gathering and storage facilities, subject to the provision which may be cited by Operator in developing and continuing operations on the said tract under the Communitization Agreement referred to in paragraph 1 above, and of the production unavoidably lost, provided that each of the parties hereto shall pay or secure the payment of the royalty interests, overriding royalty interests, payments out of production and other similar interests, if any, from its proportionate part of said production. If at any time or times Non-Operator shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Operator shall have the right, revocable by Non-Operator at will, to sell such part of such production at the same price which Operator received for its own portion of the production, or to take such gas for its own use for resale; should gas be delivered by either party during any period that such other party or parties have failed or refused to take or sell its or their gas, then the party receiving or taking delivery of the gas agrees to account to the other party or parties for its or their proportionate part of the gas so delivered, (1) if sold by the receiving party, at the market price at the wellhead for said gas, or at the price received at wellhead by such party, whichever is greater or, (2) if taken for its own use or transported for resale by the receiving party, at the highest price it is paying others in the area at the wellhead for gas of similar quality and pressure or, (3) if no such purchases are being made by the receiving party, then at the market price at the wellhead. Any sales by Operator of Non-Operator's production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year.

9. DURATION OF AGREEMENT

This Agreement shall become effective as of the date hereof upon execution by the parties hereto, notwithstanding the date of execution, and shall remain in full force and effect for a period of two (2) years and so long thereafter as dry gas or associated casinghead hydrocarbons are produced from any part of said communitized unit in paying quantities, provided that prior to production in paying quantities from said communitized unit, and upon fulfillment of all the requirements of the Oil Conservation Commission of the State of New Mexico, with respect to any dry hole or abandoned well, this Agreement may be terminated at any time by the mutual agreement of the parties hereto.

10. ROYALTY INTEREST

It is agreed and understood that the burden of any royalty, overriding royalties, payments out of production, carried working interests, net profit obligations or other similar payments, shall be borne and paid by the party owning the lease to which such interests apply.

10. TAXES

The Operator shall render, for ad valorem tax purposes, the entire leasehold rights and interests covered by this Agreement and all physical property located thereon or used in connection therewith, or such part thereof as may be subject to ad valorem taxation under existing laws of the State of New Mexico, or which may be made subject to taxation under future laws, and shall pay for the benefit of the joint account all such ad valorem taxes at the time and in the manner required by law which may be assessed upon or against all or any portion of such leasehold rights and interests and the physical property located thereon or used in connection therewith. Operator shall bill each Non-Operator for its proportionate share of such tax payments provided by the Accounting Procedure attached hereto as Exhibit "A".

11. RELATION OF PARTIES

The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, it being the express purpose and intention of the parties hereto that their ownership in said unit shall be as tenants in common; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for his or its obligations, as set out in this Agreement.

12. ACCESS TO PREMISES, LOGS AND REPORTS

Operator shall keep accurate logs of the well drilled on said unit, which logs shall be available at all reasonable times for inspection by any Non-Operator. Upon request by any Non-Operator, Operator shall furnish to such Non-Operator, a copy of said logs, samples of cores and cutting of formations encountered, and electrical surveys relative to the development and operation of said unit, together with any other information which may be reasonably requested pertaining to such well. Each Non-Operator shall have access to said unit and to all books and records pertaining to operations hereunder for the purpose of inspection at all reasonable times.

13. SURRENDER, EXPIRATION, ABANDONMENT OR RELEASE OF LEASE

No lease or leases subject to this Agreement shall be surrendered, let to expire, abandoned or released, in whole or in part, unless the parties mutually consent thereto in writing. In the event that less than all parties hereto should elect to surrender, let expire, abandon or release all or any part of a lease or leases subject to this Agreement and the other party or parties do not consent or agree, the party so electing shall notify the other party or parties not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the party not so electing, immediately shall assign without warranty to the latter party all of its rights, title and interest in and to said lease or leases, the well or wells located thereon, and the casing and other physical equipment in or on said well or wells. If the party or parties not so electing fail(s) to request assignment within such sixty (60) day period, the party so electing shall have the right to surrender, let expire, abandon or release said lease or leases, or any part thereof. In the event such assignment is so requested, the party or parties to whom such assignment is made, upon the delivery thereof, shall pay to the assigning party the salvage value of its interest in all the salvable casing and other physical equipment in or on the unit. After the delivery of any such assignment, the party making the assignment shall be released from and discharged of all the duties and obligations thereafter accruing or arising hereunder, in connection with the operation and development of the unit, with respect to the assigned lease or leases.

14. LOSS OR FAILURE OF TITLE

In the event of the loss or failure of the title, in whole or in part, of any party hereto, to any lease, the interest of such party in and to the production obtained

from the unit shall be reduced in proportion to such loss or failure of title as of the date such loss or failure of title is finally determined; provided that such reduction of ownership interest shall not be retroactive as to operating costs and expenses incurred or as to revenues or production obtained prior to such date and provided further that each party hereto whose title has been lost or has failed, as aforesaid, shall indemnify and hold the other parties hereto harmless from and against any and all loss, cost, damage and expense which may result from, or arise because of, the delivery to such party of production obtained hereunder or the payment of proceeds derived from the sale of any production prior to the date loss or failure of title is finally determined.

15. ABANDONMENT OF WELLS

No well on the unit which is capable of producing any gas and associated liquid hydrocarbons from the formation covered by this Agreement shall be abandoned without the mutual consent of the parties hereto. If any of the parties desires to abandon such well, such party or parties shall so notify the other party or parties in writing and the latter shall have ten (10) days after receipt of such notice in which to elect whether to agree to such abandonment. If all parties hereto agree to such abandonment, such well shall be abandoned and plugged by the Operator at the expense of the joint account, and as much as possible of the casing and other physical equipment in and on said well shall be salvaged for the benefit of the joint account. If any party or parties do not agree to said abandonment, such party or parties shall purchase the interest(s) of the party or parties desiring to abandon said well in the physical equipment therein and thereon; and, within twenty-five (25) days after receipt of notice by the party or parties not electing to abandon, the party or parties desiring to abandon, shall execute and deliver to the other party or parties an assignment, without warranty of title, of all of its or their interest in said well and physical equipment, and in the working interest and gas leasehold estate, insofar as it covers the formation covered by this Agreement in said unit. In exchange for said assignment, the purchasing party or parties shall pay to the assigning party or parties the salvage value of the latter's interest in the salvable casing and other physical equipment in and on said well, such value to be determined in accordance with the provisions of the Accounting Procedure attached hereto as Exhibit "A".

16. LAWS AND REGULATIONS

This Agreement shall be subject to all valid and applicable State and Federal

laws, rules, regulations and orders, and the operations conducted hereunder shall be performed in accordance with said laws, rules, regulations and orders. In the event this Agreement or any provisions hereof, or the operations contemplated hereby are found to be inconsistent with or contrary to any such law, rule, regulation or order, the latter shall be deemed to control and this Agreement shall be regarded as modified accordingly, and as so modified, shall continue in full force and effect.

17. FORCE MAJEURE

No party to this Agreement shall be liable to any other party for any delay or default in performance under this Agreement due to any cause beyond its control and without its fault or negligence, including but not restricted to acts of God or the public enemy, acts or requests of the Federal or State Government or of any Federal or State officer purporting to act under duly constituted authority, floods, fires, wars, storms, strikes, interruption of transportation, freight embargoes or failures, exhaustion or unavailability or delays in delivery of any material, equipment or service necessary to the performance of any provisions hereof, or the loss of holes, blow-outs or happening of any unforeseen accident, misfortune or casualty whereby performance hereunder is delayed or prevented.

18. OPERATOR'S LIEN

Operator shall have an express contract lien, which is hereby granted, upon the interest of each Non-Operator in said unit, in the gas or other minerals produced from such unit and in the materials and equipment located thereon, to secure the payment by said Non-Operator of its proportionate part of the costs and expenses incurred or paid by Operator hereunder, and interest, if any, accrued on such part. Such lien may be enforced and foreclosed as any other contract lien. Moreover, Operator may to the full extent of any indebtedness owed by it to any Non-Operator, offset such debt against sums owing to Operator hereunder by such Non-Operator.

19. NOTICES

All notices, reports and other correspondence required or made necessary by the terms of this Agreement shall be deemed to have been properly served and addressed if sent by mail or telegram, as follows:

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas

Fred C. Koch
321 West Douglas
Wichita, Kansas

20. HEIRS, SUCCESSORS AND ASSIGNS

All of the provisions of this Agreement shall extend to and be binding upon the parties hereto, their heirs, successors and assigns, and such provisions shall be deemed to be covenants running with the land covered hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in several counterpart originals as of the day and year first above written.

ATTEST:

_____
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By H. F. Steen
Vice President

Fred C. Koch
Fred C. Koch

Mary R. Koch
Mary R. Koch

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this 5th day of July, 1955, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing 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 H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:
MARTHA B. IVEY,
Notary Public in and for El Paso County, Texas
My commission expires June 1, 1957

Martha B. Ivey
Notary Public, County of El Paso,
State of Texas

STATE OF KANSAS

COUNTY OF Sedgwick

On this 16 day of [illegible] 1951 before me appeared Fred C. Koch and Mary A. Koch, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

[illegible]

[illegible]
Notary Public, Sedgwick County, Kansas
State of Kansas

ILLEGIBLE

Attached to and made a part of Operating Agreement dated August 1, 1953 between El Paso Natural Gas Company and Fred C. Koch, et ux.

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

(Definitions)

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

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "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 Sub-Paragraph 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 all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and

(3) Statement of any other receipts 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. **Audits**

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months 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 the making of claims for adjustment thereon. 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, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

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 direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. **Labor, Transportation, and Services**

Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property. Labor shall include (A) Operator's cost of vacation, sickness and disability benefits of employees, and expenditures or contributions imposed or assessed by governmental authority applicable to such labor, and (B) Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of like nature, applicable to Operator's field payroll; provided that the charges under Part (B) of this paragraph shall not exceed [illegible] of the total of such labor charged to the joint account. ten and one-half per cent (10½%)

3. **Material**

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 required for immediate use, and the accumulation of surplus stocks shall be avoided.

4. **Moving Material to Joint Property**

Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from the other properties of Operator, but in either of the last two events 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.

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6. **Moving Surplus Material from Joint Property**
Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus material to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and 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.

7. **Use of Operator's Equipment and Facilities**
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."

8. **Damages and Losses**
Damages or losses incurred by fire, flood, storm, 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 by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

9. **Litigation, Judgments, and Claims**
All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; 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 the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department 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.

10. **Taxes**
All taxes of every kind and nature assessed 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.

11. **Insurance**
A. Premiums paid for insurance 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.

See Paragraph 2, Article 4, of this Agreement

12. **District and Camp Expense**
A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

13. **Overhead**
Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent the entire staff and expenses of the division office located at El Paso, Texas, and any portion of the office expense of the principal business office located at El Paso, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:
A. $ 250.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
B. $ 45.00 per well per month for the first five (5) producing wells.
C. $ XXXXXX per well per month for the second five (5) producing wells.
D. $ XXXXXX per well per month for all producing wells over ten (10).
E. In connection with overhead charges, the status of wells shall be as follows:
(1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.
(2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
(3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
(4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
(5) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included in the overhead schedule for such month.
(6) Salt water disposal wells shall not be included in overhead schedule.

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F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.

G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13 **Warehouse Handling Charges**

None

14 **Other Expenditures**

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

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 transportation such as tanks, pipe, pumps, sucker rods, boilers, and engines. Tubular goods (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 List in 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 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 second-hand 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 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, derricks, buildings, and other equipment involving erection costs shall be charged at knocked-down percentage of knocked-down new price.

3. **Warranty of Material Furnished by Operator**

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

4. **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 service, fuel gas, power, and compressor service: 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: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with 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 overhead, plus expense and depreciation; and charges shall be based on use in actual service on, or in connection with the joint account operations. Truck, tractor, and pulling unit rates shall 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.

D. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.

E. 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. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell major items of material to an outside party without giving Non-Operator an opportunity either to purchase same at the price offered or to take Non-Operator's share in kind.

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1. **Material Purchased by Operator**
Material purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the material is removed from the joint property.

2. **Material Purchased by Non-Operator**
Material purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice. The Operator shall pass credit to the joint account and include the same in the monthly statement of operations.

3. **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, and such credits shall appear in the monthly statement of operations.

4. **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 100% of current new price.

3. **Good Used Material**
Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning,
   A. At 75% of current new price if material was charged to joint account as new, or
   B. At 75% of current new price less depreciation consistent with their usage on and service to the joint property, if material was originally charged to the joint property as secondhand at 75% of new price.

4. **Other Used Material**
Used Material (Condition "C"), 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,
at 50% of current new price.

5. **Bad-Order Material**
Used material (Condition "D"), being material which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.

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

7. **Temporarily Used Material**
When the use of material is of a temporary nature and its service to the joint account does not justify the reduction in price as provided in Paragraph 3B, 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**
Periodic 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.

2. **Notice**
Notice of intention to take inventory shall be given by Operator at least ten days before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.

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

4. **Reconciliation of Inventory**
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.

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

6. **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.

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CONTRACT FOR DEVELOPMENT

THIS AGREEMENT made and entered into this 27th day of February, 1950, between THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, hereinafter called "ATLANTIC", and DELHI OIL CORPORATION, a Delaware corporation, hereinafter called "DELHI",

W I T N E S S E T H T H A T:

WHEREAS, ATLANTIC is the owner and holder of the following described oil and gas leases, subject to the payment of the overriding royalties hereinafter set out, to-wit:

(a) Oil and gas lease dated August 10, 1946 from the State of New Mexico, as Lessor, to ATLANTIC, as Lessee, being State Lease No. E-956, covering among other land the following described land in San Juan County, New Mexico:

T31N, R10W, N.M.P.M.

Section 32: SE/4 SW/4

containing 40 acres, more or less;

(b) Oil and gas lease dated June 21, 1943 from the State of New Mexico, as Lessor, to ATLANTIC, as Lessee, being State Lease No. B-10400, covering among other land the following described land in San Juan County, New Mexico:

T31N, R10W, N.M.P.M.

Section 32: NE/4 NW/4; SE/4 NW/4; SW/4 SW/4
Section 36: N/2 NW/4

containing 200 acres, more or less;

(c) Oil and gas lease dated January 1, 1945 from the United States of America, as Lessor, to John L. McCarty, as Lessee, being Federal Lease, Serial No. Santa Fe 077185, covering among other land the following described land in San Juan County, New Mexico;

T30N, R10W, N.M.P.M.

Section 3: Lot 1, SE/4 NE/4; SW/4 SE/4; SE/4 NW/4; E/2 SW/4; E/2 SE/4

containing 307.24 acres, more or less.

(5) Document Attached to Ltr. for Info.

which said lease was assigned by the said Lessee to ATLANTIC by assignment dated May 17, 1947, recorded in Book 126, at Page 299, of the Records of San Juan County, New Mexico, in which assignment the Assignor reserved unto himself, his heirs and assigns, an overriding royalty of 2% of all of the oil and gas in and under and that may be produced, saved and sold from the lands covered by said assignment.

(d) Oil and gas lease dated January 1, 1945 from the United States of America, as Lessor, to James C. Phillips, as Lessee, being Federal Lease, Serial No. Santa Fe 077187, covering among other land the following described land in San Juan County, New Mexico;

NM-773

1760

T31N, R10W, N.M.P.M.

Section 26: W/2 NW/4; NE/4 NW/4; S/2; SE/4 NE/4;
Section 27: All
Section 28: All

and containing 1760 acres, more or less;

which said lease was assigned by the said Lessee to ATLANTIC by assignment dated May 15, 1947, recorded in Book 126, at Page 297, of the Records of San Juan County, New Mexico, in which assignment the Assignor reserved unto himself, his heirs and assigns, an overriding royalty of 2% of all of the oil and gas in and under and that may be produced, saved and sold from the lands covered by said assignment.

(e) Oil and gas lease dated June 1, 1944 from the United States of America, as Lessor, to ATLANTIC, as Lessee, being Federal Lease, Serial No. Santa Fe 077179, covering the following described land in San Juan County, New Mexico:

NM-775

T30N, R10W, N.M.P.M.

Section 3: Lot 4; SW/4 NW/4; N/2 SW/4
Section 4: Lots 1, 2, 3, 4; S/2 N/2; S/2
Section 5: Lots 1, 2, 3, 4; S/2 N/2; S/2

T31N, R10W, N.M.P.M.

Section 33: All
Section 34: N/2; N/2 S/2

and containing 2,562.32 acres, more or less;

(5)

Assignments Atlantic to Amerada

7

(f) Oil and gas lease dated January 1, 1945 from the United States of America, as Lessor, to Sophia Meyer, as Lessee, being Federal Lease, Serial No. Santa Fe 077186, covering among other land the following described land in San Juan County, New Mexico:

T31N, R10W, N.M.P.M.

Section 24: E/2; E/2 W/2; SW/4 NW/4; SW/4 SW/4
Section 25: All-

containing 1200 acres, more or less, and

WHEREAS, ATLANTIC and DELHI desire to enter into an agreement to provide for the development for oil and gas of the lands described above in the manner hereinafter specified.

NOW, THEREFORE, in order to provide for the development of said lands for oil and gas at the depths hereinafter specified, and in consideration of the mutual beneifts to be derived hereunder, it is agreed as follows:

I.

TEST WELLS

Within 60 days after approval of this contract by the Secretary of the Interior (hereinafter called "Secretary"), DELHI agrees to start the actual drilling (spudding in) of a test well for oil and gas at a location to be selected by DELHI on some part of the land above described and to drill the same with due diligence, within a period which shall not exceed 150 days, completely through the Mesa Verde formation or to a depth of 5200 feet, whichever is the lesser depth, unless oil or gas in paying quantities is encountered in the Mesa Verde formation unless such first well be the well hereinafter provided for and designated and called throughout this Agreement as the "Deep Well", in which event the depth and time for completion shall be as hereinafter provided for the "Deep Well".

Within 60 days after the completion of the first well either as a producer of oil (into the tanks) or of gas or as a dry hole, DELHI, unless it shall elect not to do so and thereby forfeit its rights under this contract as to all of the above described lands except the acreage hereinafter called "earned gas acreage" or "earned oil acreage", shall commence the actual

drilling (spudding in) of a second well at a location to be selected by it upon the land above described, and said well, and all succeeding wells drilled by Delhi hereunder except the well hereinafter provided for and designated and called throughout this agreement as the "Deep Well", to be drilled to completion in the same manner and within the same time limit and to the same depth as prescribed in the next preceding paragraph.

Likewise, DELHI shall continue to drill one well at a time upon the lands above described with not more than 60 days elapsing between the completion of one well and the starting of the actual drilling (spudding in) of another, until it shall elect to discontinue such drilling operations and thereby forfeit its rights under this contract as to all of the above described lands except the acreage hereinafter called "earned gas acreage" or "earned oil acreage" to be selected in the manner and in the amount described below.

For each well drilled by DELHI in the manner set out above to completion as a commercial producer of gas or as a dry hole, DELHI shall select 320 acres in reasonably compact form around said well, the acreage so selected being hereinafter called "earned gas acreage", and for each well drilled by DELHI in the manner set out above to completion as a commercial producer of oil, DELHI shall select 80 acres in reasonably compact form around said well, the acreage so selected being hereinafter called "earned oil acreage", and in addition DELHI, within thirty (30) days after the completion of the first oil well into the tanks, shall select 1,000 acres in reasonably compact form around said well which shall be hereinafter called "selected oil acreage". Within 60 days from the completion of said well, subject to the condition hereinafter set forth, DELHI must start the actual drilling (spudding in) of a second well upon the "selected oil acreage," which shall be drilled with due diligence to a depth sufficient to test the sand or strata from which the first well produces oil and shall continue to drill in like manner on said selected oil acreage" with not more than 60 days elapsing between the completion of one well and the start of the actual drilling (spudding in) of another well. Failure by DELHI to drill any such well in the time and manner provided upon said

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(5) Document to Conf. file, Atty. Gen.

"selected oil agreage" shall result in the cancellation of the "selected oil acreage" but such cancellation shall not eliminate the "earned oil acreage" around the oil well or wells which may have been drilled. As to all subsequent wells drilled by DELHI to completion as a commercial producer of oil into the tanks, within the "selected oil acreage", DELHI shall select 80 acres in reasonably compact form around such well as "earned oil acreage". The wells required to be drilled on the "selected oil acreage" after the first oil well shall be in addition to those required by the third paragraph of this Section 1. In the event of the cancellation of the "selected oil acreage" block, any oil well thereafter completed by DELHI thereon shall be subject to the same conditions as if DELHI completed an oil well upon acreage lying outside the "selected oil acreage", which conditions are set out in the next succeeding paragraph hereof.

Should DELHI, after selecting the "selected oil acreage", complete an oil well upon the acreage above described lying outside the "selected acreage", then ATLANTIC shall have the option, for a period of sixty days after said completion, of taking over said well, owning and operating it for its sole and exclusive benefit upon reimbursing DELHI for the actual cost of drilling and completing said well; however, if ATLANTIC does not elect to take over and operate said well, then eighty (80) acres in reasonably compact form surrounding said well shall be added to the "earned oil acreage" and well shall be operated by DELHI for the benefit of both DELHI and ATLANTIC as hereinafter outlined.

It is understood and agreed that DELHI is required to drill only one well at a time pursuant to this contract, with not more than a ninety day interval between the completion of one well and the starting of the drilling (spudding in) of the next, unless oil is discovered, whereupon DELHI under the terms hereof might be drilling two wells at a time, one for gas and one upon "selected oil acreage".

Notwithstanding any other provision of this contract which might be construed to the contrary, it is expressly understood that DELHI shall have in only the gas produced from gas wells operated by DELHI and in only the oil produced from oil wells operated by DELHI.

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Documents attached

The first two wells drilled pursuant to this contract, the locations of which DELHI alone shall select, and all subsequent wells drilled at locations which are approved in writing by ATLANTIC are hereinafter called "authorized wells." All other wells so drilled are hereinafter called "unauthorized wells". An "unauthorized well" shall be as effective in discharging DELHI'S drilling obligation hereunder as an "authorized well", provided that an "unauthorized well" located upon land previously classified as "earned gas acreage" shall not entitle DELHI to select or have any additional "earned gas acreage", nor shall an "unauthorized well" which produces oil from land theretofore classified as "earned oil acreage" (by reason of drilling a previous oil well thereon) entitle DELHI to select or have any additional "earned oil acreage".

II.

THE DEEP WELL

Anything express or implied in this Agreement to the contrary notwithstanding, it is hereby agreed and provided that DELHI, under and upon the conditions hereinafter provided, shall have the express obligation of drilling a well, at a location selected by it, upon the abovedescribed lands to a depth sufficient to test for oil and gas the Dakota formation or to a depth of 7,500 feet, whichever is the lesser depth. Such well is elsewhere hereinabove and hereinafter in this Agreement called the "Deep Well".

DELHI'S obligation to ATLANTIC to drill the "Deep Well" is upon and subject to the following express conditions:

(1) DELHI may, if it shall so elect, drill the "Deep Well" as the well required by the provisions of the first paragraph of Paragraph I hereof to be drilled by DELHI in which event the "Deep Well", for all purposes hereof, shall be in lieu of the well required by such paragraph and shall satisfy and discharge the obligation of DELHI provided by such paragraph.

(2) In the event DELHI shall not elect to drill the "Deep Well" in lieu of the well provided for in the first paragraph of Paragraph I hereof, that is to say, DELHI shall not elect to drill the "Deep Well" as the first well drilled by it hereunder, it is expressly provided that for a period of five (5) years from the date hereof, DELHI'S right, as hereinabove provided,

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to cease drilling further or additional wells is expressly conditioned that it will commence the actual drilling (spudding in) of the "Deep Well" within sixty (60) days after the completion, either as a commercial producer of oil (into the tanks) or of gas or as a dry hole, of the preceding well drilled by DELHI hereunder and shall continue to drill the "Deep Well" to completion, either as a commercial producer of oil (into the tanks) or of gas or as a dry hole, to the depth hereinabove set forth and in the manner hereinafter set forth.

(3) At anytime after the expiration of one (1) year from the effective date of this contract, that is to say, one (1) year after the approval of this contract by the Secretary, and prior to three (3) years from such date, and if DELHI shall have not theretofore commenced the drilling of the "Deep Well", ATLANTIC shall have the right to demand that the next well drilled by DELHI hereunder be the "Deep Well", provided, however, such demand must be made by ATLANTIC at least forty-five (45) days prior to the date upon which the next succeeding well hereunder is to be commenced.

(4) After commencing the "Deep Well", DELHI shall thereafter prosecute the drilling thereof with reasonable diligence to the depth hereinabove provided.

(5) The "Deep Well" shall constitute an "authorized well" for all purposes of this contract and shall entitle DELHI to "earned gas acreage"; in the event such well is completed as a gas well and to "earned oil acreage" in the event such well is completed as an oil well; the option of ATLANTIC to take over and acquire oil wells drilled by DELHI outside the "selected oil acreage", as hereinafter provided, shall in no event be applicable to the "Deep Well".

I.I.

COST OF WELLS, OWNERSHIP OF WELLS, EQUIPMENT AND CONSTS

DELHI agrees to drill all of the wells to be drilled by it hereunder at its own expense and free of cost to ATLANTIC; however, in the instances hereinafter set out DELHI shall receive reimbursement therefor in the manner hereinafter set out:

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(5) Agreement ... 12

A. With respect to "authorized wells" drilled by DELHI hereunder, DELHI shall be reimbursed out of production for the following costs in connection with same in the following manner, to-wit:

(1) The cost and expense of drilling, plugging and abandoning of all "authorized wells" resulting in dry holes and the cost and expense of drilling, completing and equipping all gas wells drilled by DELHI upon the above described lands shall be paid by DELHI, however, it shall charge all such cost and expense to an account hereinafter called the "development account".

(2) The first two oil wells drilled upon the "selected oil acreage", that is to say, the oil well creating the "selected oil acreage" and the next succeeding oil well drilled upon the "selected oil acreage", shall be drilled and equipped at the sole cost and expense of DELHI without reimbursement to it out of production or otherwise and no part of said cost and expense shall be charged to the "development account". If the second well drilled for oil upon the "selected oil acreage" should be a dry hole, it shall nevertheless be counted as an oil well in discharging DELHI'S drilling obligation, and all cost and expense in connection with the drilling, plugging and abandoning of said well shall be borne by DELHI without reimbursement of any kind and no part of said cost and expense shall be charged to the "development account"; however, if said second well or any succeeding well drilled upon the "selected oil acreage" be a gas well, DELHI shall charge its drilling and equipping costs in connection therewith to the "development account", but any such gas wells shall not be counted as an oil well but will discharge DELHI'S drilling obligation. The cost and expense of drilling and equipping the third and all subsequent oil wells drilled by DELHI upon the "selected oil acreage" shall be borne by DELHI, however, it shall charge same to the "development account". For all purpose of this paragraph the term "the first two oil wells " is hereby defined to mean the first two wells completed upon the "selected oil acreage" as a commercial producer of oil and/or as a dry hole.

(3) Until such time as the "development account" has been

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liquidated and paid in the manner hereinafter set out, ATLANTIC shall receive one-fourth of all production from all "authorized wells" drilled hereunder, free of all development and operating costs and expenses but subject to 1/4 of all outstanding royalties and overriding royalties; and DELHI shall receive 3/4 of such production, out of which it shall pay and discharge all current operating costs and 3/4 of all outstanding royalties and overriding royalties, and apply the remainder thereof as a credit to the "development account". When, as and if the credits so applied become equal to and liquidate said "development account", all of the wells and the equipment used in connection therewith and the production therefrom shall be thereafter owned equally by ATLANTIC and DELHI, each being entitled to receive 1/2 of said production, subject to 1/2 of outstanding royalties and overriding royalties and subject also to 1/2 of current operating costs. No interest shall ever be charged to the "development account."

B. With respect to "unauthorized wells" drilled by DELHI hereunder, the costs and expense of DELHI in connection therewith shall be borne as follows:

(1) As to "unauthorized wells" resulting in dry holes, all costs and expenses in connection with the drilling, plugging and abandoning of same shall be borne wholly by DELHI without reimbursement out of production or otherwise and no part of said costs or expenses shall be charged to the "development account".

(2) As to any "unauthorized well" which produces oil or gas, DELHI shall bear all costs and expenses in connection with the drilling, completion and equipping of same; however, it shall receive all of the production from said well, subject to the payment by DELHI of all outstanding royalties and overriding royalties and of all operating costs, until it shall have realized out of said production 200 per cent of its said costs and expenses, after which said well and the equipment used in connection therewith and the production therefrom shall be owned equally by ATLANTIC and DELHI, each being entitled to receive 1/2 of said production, subject to 1/2 of outstanding royalties and overriding royalties and subject also to 1/2 of current operating costs.

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IV.

For the purpose of this agreement, it is agreed that:

(a) Gas is defined as (including, but not by way of limitation, condensate) all of the products produced which, immediately preceding the first withdrawal of any product from the reservoir, were in the form of gas in such reservoir.

(b) Oil is defined as being any combination of liquid hydrocarbons, regardless of gravity, which, immediately preceding the first withdrawal of any product from the reservoir, was in the form of liquid in such reservoir.

(c) An oil well is any well which produces one barrel or more of oil, as hereinabove defined, to each 30,000 cubic feet of gas, as hereinabove defined.

(d) A gas well is a well producing gas, as hereinabove defined, and which produces no oil, as hereinabove defined, or less than one barrel of oil to each 30,000 cubic feet of gas.

(e) Regardless of the above definitions of oil and gas, the entire production, liquid as well as gaseous, from all gas wells, as hereinabove defined, shall be considered as gas production and the entire production, liquid as well as gaseous, from all oil wells, as hereinabove defined, shall be considered as oil production.

V.

WELL RECORDS AND ACCESS TO WELLS

DELHI agrees to keep a true and accurate log of all wells that may be drilled by it on the above described lands, and a correct tally of the various sizes and lengths of casing that may be set therein, and upon the completion of any such well shall either deliver to ATLANTIC at its office in the Magnolia Building, Dallas, Texas, or deposit in the United States mail, addressed to ATLANTIC at P. O. Box 871, McClintic Building, Midland, Texas, a true and complete log of such well, together with a true and accurate record of all casing set therein, showing the make, size, weight, thread and lengths thereof and points at which such casing shall have been set. DELHI shall also furnish to ATLANTIC at the above address, daily reports of the

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progress of each well drilled by it upon said lands, such report to be either mailed or delivered daily during the drilling of such well.

ATLANTIC, through its duly authorized agents and representatives, shall have access to the above described lands and any well or wells that may be drilled thereon by DELHI, at any and all times during the drilling thereof, and any and all information available, as secured, pertaining to the samples of all cuttings which may be encountered in the drilling thereof. DELHI shall not drill into any known producing horizon without giving to ATLANTIC sufficient notice to enable it to have a representative on the ground to witness the drilling in of such well or wells.

VI.

RENTALS AND COMPENSATORY ROYALTIES

DELHI shall reimburse ATLANTIC for all sums paid by ATLANTIC to the United States of America or the State of New Mexico, or paid by ATLANTIC upon demands of The United States of America or the State of New Mexico, after the effective date of this contract and while this contract remains in effect, on account of the following:

(1) As oil and gas lease rentals attributable to the land covered hereby except any such rentals as may be attributable to any of the abovedescribed leases upon which ATLANTIC may have drilled any well, provided, however, if DELHI shall elect to discontinue the drilling of additional wells hereunder and thereby forfeit its rights under this contract as to all of the abovedescribed lands except as to "earned oil acreage" and "earned gas acreage", as hereinabove provided for, DELHI'S liability for any such oil and gas lease rentals shall be limited to such rentals as are attributable to "earned oil acreage", "earned gas acreage" and selected oil acreage".

(2) As royalties on oil or gas produced from all wells operated by DELHI pursuant to this contract;

(3) As costs of plugging, or for damages for failure to plug, any well or wells which DELHI is required to plug under

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the provisions of Paragraph III above;

(4) On account of any liability of DELHI, whether or not herein mentioned or described, arising out of operations on said lands.

DELHI shall also reimburse ATLANTIC for all sums paid by ATLANTIC to The United States of America, as compensatory royalties on account of the absence of operations for oil or gas after sixty days subsequent to the effective date of this contract, on all of the land above described as to which this contract is in force and effect for the period or periods for which said demands are made except compensatory royalties demanded or required by virtue of, with respect to or in anywise in connection with any oil well drilled or operated by ATLANTIC upon the abovedescribed land, provided, however, DELHI shall reimburse ATLANTIC for all such compensatory royalties on account of the absence of operations for oil upon the "selected oil acreage".

All sums paid by DELHI as compensatory royalties and all sums paid by DELHI as delay rentals under this Paragraph V, whether such payments are made direct or through reimbursement to ATLANTIC, shall be charged to the "development account", except compensatory royalties on account of the absence of operations for oil upon the "selected oil acreage".

If DELHI shall fail or refuse to reimburse ATLANTIC for any such payment made by it within thirty days after demand for reimbursement made upon DELHI, in writing, by ATLANTIC, then and in such event DELHI shall, at the option of ATLANTIC, and upon written notice from it, forfeit all rights hereunder, and shall, by an appropriate written instrument, surrender, quitclaim and release to ATLANTIC all rights and benefits under this contract.

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VII.

COSTS OF OPERATION

Subject to DELHI'S right to reimbursement out of production for drilling and equipment costs in the instances and manner as set out above, and subject to the payment of all outstanding royalties and overriding royalties, all of the wells drilled by DELHI and the oil and gas produced

(5) Documents sent for Rec. Attorneys Rec. Cert.

therefrom (except any oil well drilled by DELHI on acreage outside of the "selected oil acreage" which may have been taken over by ATLANTIC under the terms of this contract) pursuant to this agreement shall be owned in the following proportions: ATLANTIC one-half (1/2), DELHI one-half (1/2); and each party shall own and have the right to receive its share of the production in kind; provided, however, that ATLANTIC shall have the continuing option to purchase at the wells, at the prevailing market price for oil of like kind and gravity on the day produced, DELHI'S share of all oil produced and saved from said premises.

DELHI shall operate all of the wells drilled by it hereunder (except any oil well drilled by DELHI on acreage outside of the "selected oil acreage" which may have been taken over by ATLANTIC under the terms of this contract) for the joint benefit of the parties hereto, and the costs and expenses in connection with such operation shall be borne as follows:

(a) As to the producing wells drilled and equipped by DELHI hereunder at its sole expense without being reimbursed for such drilling and equipment expense out of production, all cost and expense in connection with the operation of said wells thereafter shall be borne equally by the parties hereto, proper charges and credits to be made in accordance with the Accounting Procedure attached hereto and marked Exhibit "A".

(b) As to each of the remaining producing wells drilled and operated by DELHI hereunder, DELHI shall pay all cost of operation in connection therewith during such time as it is receiving reimbursement out of production for drilling, equipping and current operating costs; however, if, as and when DELHI has received reimbursement for such drilling, equipping and current operating costs in connection with each such well, the cost and expense of operating each such well thereafter shall be borne equally by the parties hereto, proper charges and credits to be made in accordance with the Accounting Procedure attached hereto and marked Exhibit "A".

VIII.

WELLS DRILLED BY ATLANTIC

After DELHI has selected the "selected oil acreage" ATLANTIC shall

have the right to drill oil wells upon all of the above described acreage outside of said "selected oil acreage" and outside "earned gas acreage" and "earned oil acreage" at its sole cost and expense and ATLANTIC shall be the sole owner of any such wells and the production therefrom. Should ATLANTIC while drilling for oil complete a gas well as a producer, ATLANTIC shall notify DELHI and DELHI shall have the option for a period of sixty days after receipt of said notice of taking over said well and operating the same under this agreement upon reimbursing ATLANTIC for the actual cost of drilling and completing said well, DELHI to receive all production from such well until it has been reimbursed out of production for drilling, equipment and current operating costs, and thereafter such well and the production therefrom shall be owned by ATLANTIC in the proportion of one-half (1/2) and DELHI in the proportion of one-half (1/2) and such well thereafter shall be operated and shall be treated as though same had been drilled and completed as an "authorized gas well" by DELHI under the terms and provisions of this contract.

IX.

INDEMNITY TO ATLANTIC

DELHI hereby binds itself to save and hold harmless ATLANTIC against all suits, claims, liabilities, damages and losses of whatsoever character resulting from the failure of DELHI, in any particular, to perform the obligations incumbent upon it in this contract with respect to the exploration for, and production of, oil and gas under this contract from the lands above described, and also against all liabilities to third persons for loss or damage of any kind arising out of DELHI'S operations on said lands.

Prior to the commencement of the test wells provided for in Paragraph I hereof, DELHI shall make and furnish to ATLANTIC a performance bond, with a corporate surety acceptable to ATLANTIC, in the penal sum of $50,000.00, conditioned upon the faithful performance of all the provisions of this contract and the payment of all liabilities to ATLANTIC arising hereunder. But it is expressly understood and agreed that neither this provision for the making and furnishing of said bond nor the acceptance by ATLANTIC of any bond tendered pursuant hereto shall be construed as lessening or in anywise

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limiting the amount of any single liability, or the total amount of all the liabilities imposed upon DELHI under the terms of this contract, and the prosecution of any claim, demand or suit upon said bond shall not preclude, but shall be in addition to, any other remedy or remedies available to ATLANTIC for breath of this contract by DELHI.

X.

DEMANDS BY THE DEPARTMENT OF THE INTERIOR

If, during the term of this contract, demand is made upon ATLANTIC as lessee under any of the leases affected hereby by any duly authorized representative of the Department of the Interior to drill any well or wells or perform any other act or acts with respect to the lands covered hereby, ATLANTIC shall immediately communicate notice of such demand to DELHI and DELHI shall have ten days after receipt of said notice within which to assume the obligation to drill such well or wells or perform such act or acts at its expense (with the right to receive reimbursement for the cost of drilling and equipping any such required wells out of production in the same manner outlined in Paragraph III hereof for an "authorized well"), and if it does not assume such obligation within such time then DELHI'S rights under this contract, as to the acreage affected by said demand, shall ipso facto terminate.

XI.

INSURANCE

While and so long as it is engaged in operations under this contract, DELHI shall carry and pay for insurance as follows:

(1) Workmen's compensation insurance in compliance with the laws of the State of New Mexico.

(2) Employers' liability insurance providing for a death limit of not less than $25,000.00 per employee.

(3) Public Liability insurance covering all work carried on pursuant to this contract, with limits of not less than $25,000.00 as to any one person, and $50,000.00 as to any one accident.

(5) Agreement ... for Leo Atlantic to Leo Carl.

(4) Insurance against property damage arising out of all work carried on pursuant to this contract, with a limit of not less than $10,000.00 for each accident, and not less than $50,000.00 for any number of accidents.

(5) Automobile or teams public liability insurance with a limit of not less than $25,000.00 as to any one person, and $50,000.00 as to any one accident, and automobile or teams property damage insurance with a limit of not less than $5,000.00 covering all automotive equipment or teams used in operations carried on pursuant to this contract.

All of the insurance coverage herein provided for shall be written on policy forms and by insurance companies approved by ATLANTIC. DELHI shall furnish to ATLANTIC originals or duplicates of all insurance policies for approval prior to commencing any operations hereunder. Such policies shall be attested by authorized representatives of the insurance companies issuing them, and shall not be subject to alteration or cancellation without at least ten (10) days' prior written notice to ATLANTIC at its Dallas office.

XII.

NON-DISCRIMINATION

DELHI expressly agrees that in any and all operations conducted hereunder he shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and shall require an identical provision to be included in all subscontracts.

XIII.

FORFEITURE FOR NON-COMPLIANCE

If DELHI shall fail to comply with any of the provisions of this contract with respect to commencing or completing any one of the test wells required to be drilled by it within the time and manner herein provided, ATLANTIC, at its option, may terminate this contract as to all of the land covered thereby which is not then classified as "earned gas acreage" or "earned oil acreage" as those terms are hereinabove defined by written notice by registered mail to DELHI, the notice of termination to become effective thirty (30) days after date of receipt of said notice if DELHI has not by that

time corrected the defaults set forth in the said notice; provided however that the provisions of this paragraph shall never be construed to preclude either Party from resorting to any legal or equitable remedy which it might otherwise have for breach of this contract by the other.

XIV.

In the event DELHI shall, directly or indirectly, while this agreement is in effect, acquire or become entitled to acquire, through option or other agreement, any interest in any facilities for the injection of gas or pressure maintenance of the field from which gas is being produced from the lands hereinabove described, or for the recovery from such gas of gasoline, butane, propane or other lighter hydrocarbons, DELHI shall notify ATLANTIC immediately of such fact and shall furnish to ATLANTIC together with such notice all available data and information concerning such facilities and the interest acquired or to be acquired. ATLANTIC shall have an option to be exercised within ninety (90) days from the receipt of such notice, data and information in which to elect whether or not it will join DELHI and acquire one-half of DELHI'S interest or rights in such facilities. If ATLANTIC elects to participate in such facilities then DELHI shall charge to the joint account its acquisition cost (purchase price, construction cost or otherwise, as the case may be) if the interest has already been acquired, or shall advance for the joint account, as the same shall become due, all monies for which DELHI shall be obligated for the acquisition of an interest in such facilities (purchase price, construction cost or otherwise, as the case may be) if DELHI has not then actually acquired any interest in such facilities but is then merely entitled to acquire an interest therein. DELHI shall receive all of the profits accruing from such facilities until it shall be reimbursed for all sums charged to the joint account. While DELHI is being reimbursed out of profits as aforesaid, it shall pay all operating and maintenance costs chargeable to the interest of DELHI and ATLANTIC and such operating and maintenance costs shall be added to the sums which DELHI shall receive out of the profits as aforesaid. When DELHI has been reimbursed, each party hereto shall be the owners equally of the interest in such facilities and shall be equally responsible for all operating and maintenance costs that may be chargeable to their respective interests in such facilities.

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XV.

TAXES

Except as otherwise provided below, all ad valorem and other taxes of whatsoever kind or nature chargeable against the properties covered hereby and the production therefrom becoming payable after the effective date of this contract, except ad valorem or other taxes for any year prior to the year 1950, shall be considered as an operating expense and shall be paid by DELHI as operator. In the event ATLANTIC should happen to pay any such taxes, it shall be reimbursed therefor by DELHI. The taxes paid by DELHI, either directly or by way of reimbursement to ATLANTIC, shall be charged to the joint operating account.

Anything in the preceding paragraph or elsewhere in this contract to the contrary notwithstanding, it is hereby expressly provided that DELHI shall never be liable or obligated for any ad valorem or other taxes against any of the above described lands attributable to wells drilled or operated by Atlantic, except gas wells completed by ATLANTIC and taken over by DELHI as elsewhere herein provided for, and for this purpose it is provided that 320 acres around the well are attributable to a gas well or dry hole and 80 acres around the well are attributable to oil wells; nor shall DELHI be liable or obligated for any tax on production from any well upon the above described land operated by ATLANTIC, nor shall DELHI be liable or obligated for any ad valorem or other taxes upon any of the above described land upon DELHI electing to discontinue further drilling of wells hereunder, as herein above provided for, except as may be attributable to "earned gas acreage" and "earned oil acreage".

XVI.

FORCE MAJEURE

In the event either party hereto is rendered unable wholly or in part to perform hereunder by force majeure, it is agreed that on such party's giving notice and reasonably full particulars of such force majeure in writing or by telegraph to the other party within a reasonable time after the occurrence of the cause relied on, then the performance by the party giving

(5) Documents Cont for Rec. Atlantic Rec Cont

such notice, so far as they are affected by such force majeure, shall be suspended (without the loss of any rights hereunder) during the continuance of any inability so caused, but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.

The term "force majeure" as employed herein shall mean acts of Gods, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of the Government, either federal or state, civil or military, civil disturbances, explosions, inability to obtain necessary materials, supplies or permits due to existing or future rules, regulations, orders, laws or proclamations of Governmental authorities, both federal and state, including both civil and military, and any other causes whether of the kind herein enumerated or otherwise not reasonably within the control of the parties claiming suspension.

XVII.

REPRESENTATIONS OR WARRANTIES

ATLANTIC makes no representations or warranty of any kind concerning its title to the lands or leasehold estates covered hereby except that it has not heretofore conveyed the same and that, subject to the approval of the Secretary, it has the authority to make, enter into and carry out this contract, and ATLANTIC shall never be liable to DELHI hereunder for any loss of title in whole or in part as to said lands or the leasehold estates covered hereby.

XVIII.

SUCCESSION OF INTERESTS

This agreement shall be binding upon the heirs, successors and assigns of the parties hereto.

XIX.

TERM AND ASSIGNMENT

Unless sooner terminated as herein provided, this contract shall remain in force and effect for the full term of the leases covered hereby, or any of them.

5.

DELHI shall have the right and privilege to sell, assign, transfer, mortgage and otherwise dispose of and/or encumber its rights, titles and interests in and to "earned oil acreage" and "earned gas acreage" and the production from wells located thereon after same have come into existence as in this contract provided without the consent of ATLANTIC, but DELHI shall not have the right or privilege to sell, assign, transfer, mortgage or otherwise dispose of and/or encumber any other of its other rights or interests hereunder, except to a subsidiary of DELHI, without the prior consent in writing of ATLANTIC. For the purposes of this paragraph a subsidiary of DELHI is defined to be any corporation of which DELHI shall own more than fifty per cent. (50%) of the capital stock entitled to normal voting privileges.

XX.

WHEN CONTRACT EFFECTIVE

This contract shall not become effective until DELHI shall have submitted the same to the Department of the Interior and shall have secured the approval of that department, if such approval is requisite under applicable regulations to its recognition hereof.

XXI.

NOTICES AND DEMANDS

Unless another or different method is prescribed in this contract in specific instances, it is hereby expressly provided that all notices and demands required or permitted by the terms of this contract to be given to or made upon either party hereto by the other party, in order to be effective and binding, shall be reduced to writing and mailed to the other party by United States Mail, postage prepaid, addressed - - -

Atlantic Refining Company
Magnolia Building
Dallas 1, Texas

Delhi Oil Corporation
1315 Pacific Avenue
Dallas, Texas

If either party should change its address, such party shall notify the other of its new address, otherwise these addresses shall remain for the duration of this contract.

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WITNESS THE EXECUTION HEREOF in quadruplicate originals as of the date first above set out.

THE ATLANTIC REFINING COMPANY

ATTEST:

Assistant Secretary

By Vice President

DELHI OIL CORPORATION

ATTEST:

Secretary

By President

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 7th day of March, 1950, before me appeared E. H. BLUM, to me personally known, who being by me duly sworn did say: that he is the Vice President of THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, and that the seal affixed to the foregoing 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 E. H. BLUM did acknowledge said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 7th day of March, 1950.

Holly Mae Tippett
Notary Public in and for
Dallas County, Texas

My Commission Expires
June 1, 1951

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 27 day of Feb., 1950, before me appeared C. A. Murchison to me personally known, who being by me duly sworn did say: that he is the President of DELHI OIL CORPORATION, a Delaware corporation, and that the seal affixed to the foregoing 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. A. Murchison did acknowledged said instrument to be the free act and deed of said corpor tion.

Given under myhand and official seal this 27 day of Feb, 1950.

Katherine Vaughn
Notary Public in and for
Dallas County, Texas
KATHERINE VAUGHN

My Commission Expires
June 1, 1951

(5) Assignment to Carl for Rec. Mineral Rec. Cert.

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Mid-Continent Committee Form No. 2-B
In stock and for sale by
The OLDS PRESS, Tulsa, Okla.

"EXHIBIT B"

Model Form—Adopted by
Mid-Continent Oil & Gas Association
(1938)

Attached to and made a part of CONTRACT FOR DEVELOPMENT Between THE ATLANTIC REFINING COMPANY And DELHI OIL CORPORATION, Covering Lands in San Juan County, New Mexico.

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE SCHEDULE)

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

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

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

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 calendar month. Itemized statements shall accompany such bills. Each party shall pay its proportion of all such bills within fifteen (15) days after the 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. Payment of any such bill shall not prejudice the right of any party to protest or question the correctness thereof; provided that Operator shall not be required to adjust any item unless a claim therefor has been presented within a period of two (2) years from the date of the rendition of any itemized statement.

I. DEVELOPMENT AND OPERATING CHARGES

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

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

(2) Labor, teaming and other services necessary for the development, maintenance and operation of the joint property.

(3) Materials, equipment and supplies purchased and/or furnished by Operator from its warehouse stocks or from its other leases for use on the joint property. In so far as is practical and consistent with efficient and economical operation, only such materials shall be purchased for or transferred to the joint property as are required for immediate use, and the accumulation of warehouse and/or lease stock on the joint property shall be avoided.

(4) Moving materials to the joint property from vendor's or from Operator's warehouse in the district or from other properties of Operator, but in either of the last events 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.

(5) Moving surplus materials from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus materials to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-operator; and no charge shall be made to the joint account for moving materials to other properties belonging to Operator, except by special agreement with Non-operator.

(6) Use of and service by Operator's exclusively owned equipment and utilities as provided in Paragraph (6) of Section II: "Basis of Charges to Joint Account."

(7) Damages or losses incurred by fire, flood, storm or from 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 by fire, storm, flood or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

(8) Expenses of litigation, liens, judgments and liquidated claims involving the joint property or incident to its development and operation. Actual expenses incurred by Operator or Non-operator in securing evidence pertaining to the joint property shall be a proper charge against the joint account.

(a) When any case, by prior agreement, is handled by Operator's and/or Non-operator's legal staff, thereby eliminating the retaining of outside counsel, a charge commensurate with the cost of services rendered may be made to the joint account. Charges of this nature shall not be rendered until the respective legal departments have agreed upon the proper amount.

(b) Fees and expenses of outside attorneys shall not be charged to the joint account except where the employment of such outside attorneys is authorized by a vote of the majority interests.

(9) All taxes paid for the benefit of the parties hereto including ad valorem, property, gross production, occupation and any other taxes assessed against the jointly-owned properties, the production therefrom or the operations thereon.

(10) Insurance:

(a) Premiums paid for insurance 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) District and Camp Expense:

(a) District Expense: A proportionate share of the salaries and expenses of Operator's district superintendent and other general district employes serving the joint property whose time is not allocated directly to the joint property, and a proportionate share of the expense of maintaining and operating a district office in conducting the management of operations on the joint property and other properties in the same locality owned and operated by Operator, such charges to be apportioned to such properties served on the following basis: On a per well basis, one drilling well equal to four producing wells.

(b) Camp Expense: The expense of providing and maintaining on or in the vicinity of the joint property all necessary camps, housing facilities for employes and boarding employes, if necessary. When properties other than the joint property are served by these facilities, then an equitable distribution of expense, including depreciation, or a fair monthly rental in lieu of the investment, maintenance and operating cost of buildings and other camp facilities, shall be prorated against all properties so served on the following basis: On a per well basis, one drilling well equal to four producing wells.

(12) Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employes of Operator, including the division superintendent, the entire staff and expenses of the division office located at ....., any portion of the office expense of the principal business office located at Dallas, Texas, but not in lieu of field office expenses incurred in operating any such properties, and such overhead charges do not include any other expenses of Operator incurred in the development and operation of said properties, and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:

(a) $ 150.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

(b) $ 35.00 per well per month for the first five (5) producing wells.

(c) $ 25.00 per well per month for the second five (5) producing wells.

(d) $ 15.00 per well per month for all producing wells over ten (10).

In connection with overhead charges, the status of wells shall be as follows:

(1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.

(2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.

(3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.

(4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.

(5) Wells which are shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included on the overhead schedule for such month.

(6) Salt water disposal wells shall not be included in overhead schedule.

The above specific overhead rates may be amended from time to time by agreement between Operator and Non-operator if, in practice, they are found to be insufficient or excessive.

(13) Warehouse Handling Charges ..... None .....

(14) Any other expenditure incurred by Operator for the necessary and proper development, maintenance and operation of the joint property, except that Operator shall not charge the joint account with any expenditure or contribution made by Operator towards employes' stock purchase plan, group life insurance, pension, retirement, or bonus, other than such expenditures or contributions imposed or assessed by governmental authority.

II. BASIS OF CHARGES TO JOINT ACCOUNT

(1) Outside Purchases: All materials and equipment purchased and all service procured from outside sources shall be charged at their actual cost to Operator, after deducting any and all trade and/or cash discounts actually allowed off invoices, or received by Operator.

(2) New materials furnished by Operator (Condition "A"):

New materials transferred to the joint property from Operator's warehouse or other properties shall be priced f.o.b. the nearest supply store or railway receiving point at replacement cost of the same kind of materials. This will include large equipment such as tanks, rigs, pumps, boilers and engines. All tubular goods (2" and over) shall be charged on the basis of mill shipment or carload price. Other materials, where the replacement cost cannot be readily ascertained, may, for the purposes of consistency and convenience, be charged on the basis of a reputable supply company's preferential list price f.o.b. nearest supply store or railway receiving point to the joint property prevailing on the date of transfer of the materials to the joint property.

In determining the value of any transferred materials, all special and preferential discounts shall be allowed but the regular cash discount shall not be considered.

(3) Secondhand materials furnished by Operator (Conditions "B" and "C"):

(a) Tubular goods (2" and over), fittings, machinery and other equipment which is in sound and serviceable condition at date of transfer, will be classed as condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of Paragraph (2) above.

(b) Tanks, derricks, and buildings or other equipment involving erection costs shall be charged on a basis not to exceed 75% of knocked-down new price for similar materials.

(c) Other secondhand materials, such as units of machinery or other equipment that is serviceable, but substantially not good enough to be considered first-class secondhand material when transferred to the joint property, shall be classed as condition "C" and charged at 50% of the new price.

(d) There may also be cases where some items of equipment, due to their unusual condition, should be fairly and equitably priced by Operator.

(4) Warranty of Materials Furnished by Operator: Operator does not warrant the materials furnished from its warehouse or other properties beyond or back of the dealer's or manufacturer's guaranty, and in case of defective materials, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

(5) If materials required are not available in Operator's surplus stocks, Operator shall, whenever in its judgment it is practical to do so, give Non-operator opportunity of furnishing the materials required in proportion to his or its interest, provided that the same can be furnished at the time such materials are required, and further provided that any such materials so furnished shall be in condition acceptable to Operator and shall be charged to the joint account on the same terms and conditions as are provided herein to cover the furnishing of materials by Operator.

(6) Operator's Exclusively-owned Facilities: The following rates shall apply to service rendered to the joint property by facilities owned exclusively by Operator:

(a) Water service, gas, teaming, power, and compressor service: All at rates currently prevailing in the field where the joint property is located.

(b) Automotive Equipment: Rates commensurate with cost of ownership and operation ~~and in line with schedule of rates adopted by the Petroleum Motor Transport Association or recommended uniform standardized charges against the joint account.~~ Automotive charges will be based on use in actual service on or in connection with the joint property. Truck, tractor and pulling unit rates shall 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, however, that such charges shall not exceed those currently prevailing in the field where the joint property is located.

(d) Whenever requested, Operator shall inform Non-operator in advance of the rates it proposes to charge.

(e) Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

III. DISPOSAL OF LEASE EQUIPMENT AND MATERIALS

(1) Materials purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the materials are removed from the joint property.

(2) Materials purchased by Non-operator shall be invoiced by Operator and paid for by Non-operator to Operator immediately following receipt of invoice and delivery of materials. Operator shall thereupon immediately pass credit to the joint account and include the same in the monthly statement of operations for the month in which the materials were paid for by Non-operator.

(3) Division of materials in kind, if made between Operator and Non-operator, shall be in proportion to their respective interests in the joint property. Each party will thereupon be charged individually with the value of the materials received or receivable and corresponding credits will be made to the joint account by Operator, and both credits shall appear in the same monthly operating statement.

(4) Sales to outsiders of major materials shall be made only with the consent of Non-operator as to both terms and price and where made the proceeds shall be credited by Operator to the joint account at the full amount collected from vendee. Any claims by vendee for defective materials or otherwise shall be charged back to the joint account, if and when paid by Operator.

IV. BASIS OF PRICING MATERIALS TRANSFERRED FROM JOINT ACCOUNT

Materials and equipment purchased by either Operator or Non-operator, or divided in kind between them, unless otherwise agreed, shall be valued on the following basis of condition and price: (New price as used in the following paragraphs shall have the same meaning and application as that used above in Section II: "Basis of Charges to Joint Account.")

(1) New Materials: (Condition "A") being new equipment or supplies purchased or procured for the joint property but never used thereon; at 100% of current new prices.

(2) Good Secondhand Materials: (Condition "B") being good serviceable materials which are further usable without repair, at:
(a) 75% of current new prices, if materials were new when originally charged to the joint property.
(b) 75% of current new prices less depreciation consistent with their usage on and service to the joint property, if materials were orginally charged to the joint property as secondhand at 75% of new prices.

(3) Other Used Materials: (Condition "C") being materials further usable for their original function only after repair and reconditioning; at 50% of current new prices.

(4) Bad Order Materials: (Condition "D") being materials not further usable for their original function but for possible other service; at 25% of current new prices.

(5) Junk: (Condition "E") being obsolete and unservicable materials; at prevailing junk prices in the district. Where practicable, junk should be disposed of at the joint property.

(6) Temporarily Used Materials: When the use of certain items of equipment on the joint property has been only temporary, and the time of actual use thereon does not justify the deduction of depreciation as listed in (a) and (b) of Paragraph (2) hereof, such materials will be priced on a basis that will leave a net charge against the joint account consistent with the service rendered and adequate for the time the materials were in use.

V. INVENTORIES

(1) Periodic inventories shall be taken by Operator of the materials and equipment on the joint property, which shall include such materials and equipment as are ordinarily considered controllable by operators of oil and gas properties.

(2) Notice of intention to take inventory shall be given by Operator to Non-operator a week before any inventory is to begin, so that Non-operator may be represented when any inventory is being taken.

(3) Special inventories shall be taken 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 the other party 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 joint inventory.

(4) If the initial test on the joint property is a dry hole and no further tests thereon are immediately contemplated, Non-operator may require that an inventory be taken of all materials as soon as the casing has been recovered from the well and that the materials be classified before any materials are removed from the joint property by Operator or otherwise disposed of.

(5) Failure of Non-operator to be represented at the physical inventory shall bind it to accept the inventory taken by Operator who shall in that event furnish Non-operator with a copy thereof.

(6) 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.

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

WITNESS THE EXECUTION HEREOF in quadruplicate originals as of the date first above set out.

THE ATLANTIC REFINING COMPANY

ATTEST:

Assistant Secretary

By _____ Vice President

DELHI OIL CORPORATION

ATTEST:

Secretary

By _____ President

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 7th day of March, 1950, before me appeared E. H. BLUM, to me personally known, who being by me duly sworn did say: that he is the Vice President of THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, and that the seal affixed to the foregoing 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 E. H. BLUM did acknowledge said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 7th day of March, 1950.

My Commission Expires
June 1, 1951

Notary Public in and for
Dallas County, Texas

THE STATE OF TEXAS |
|
COUNTY OF DALLAS |

On this 27 day of Feb., 1950, before me appeared C. H. Murchison to me personally known, who being by me duly sworn did say: that he is the President of DELHI OIL CORPORATION, a Delaware corporation, and that the seal affixed to the foregoing 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. H. Murchison did acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and official seal this 27 day of Feb, 1950.

My Commission Expires
June 1, 1951

Notary Public in and for
Dallas County, Texas

ILLEGIBLE

R-772-E

THE STATE OF TEXAS }
COUNTY OF [illegible] }

[illegible] and [illegible] by AGREEMENT this day made and entered into by and between THE [illegible] COMPANY, a [illegible] corporation, hereinafter called "Atlantic", and EL PASO [illegible] COMPANY, a Delaware corporation, hereinafter called "El Paso,"

W I T N E S S E T H :

WHEREAS, under date of February 27, 1950, Atlantic and Delhi duly made and entered into a certain written contract relative to the development of various oil, gas and mining leases covering lands situated in San Juan County, New Mexico, (hereinafter called the "subject lands"), all as is more fully shown by said contract, to which reference is here made for all pertinent purposes; and,

WHEREAS, thereafter and on July 21, 1950, Atlantic and Delhi entered into a supplemental contract amending in certain particulars said contract for development between Atlantic and Delhi dated February 27, 1950, all as is more fully shown by said supplemental contract, to which reference is here made for all pertinent purposes; and,

WHEREAS, under date of January 13, 1952, Delhi and El Paso entered into certain oil and gas leases each covering [illegible] of which, among other things, Delhi [illegible] sell and deliver to El Paso its interest in all of said oil and gas leases described in said contract dated February [illegible], 1950, as amended by said supplemental contract dated July [illegible], 1950, subject to the terms and provisions of such oil and gas leases, all as is more fully shown by said [illegible] to which reference is here made for all pertinent purposes; and,

ILLEGIBLE

WHEREAS, Atlantic and Delhi have agreed to further amend said [illegible] dated July 21, 1950, as heretofore said [illegible] dated July 21, 1950, in the manner is hereinafter [illegible]

[illegible] NOW, THEREFORE, in consideration [illegible] of the premises and of [illegible] hereinafter [illegible] and other good and valuable [illegible] the receipt [illegible] hereof

[illegible] Atlantic agrees that Delhi has fully complied with all the terms and provisions of said contract of development dated July 21, 1950, as amended by said supplemental contract dated July 21, 1950, and that all rights granted to Delhi in each of said contracts are in full force and effect, and that Delhi is not in default in any wise or manner under the terms and provisions of said contracts.

2. Delhi has completed four Mesaverde wells and has selected as "earned gas acreage" four tracts described as follows:

E/2 Section 25, Township 31 North, Range 10 West;

E/2 Section 33, Township 31 North, Range 10 West;

E/2 Section 27, Township 31 North, Range 10 West; and

E/2 Section 28, Township 31 North, Range 10 West.

Delhi shall transfer and assign to Hi Plus all its right, title and interest in and to the above described "earned gas acreage" and in and to all "unearned gas acreage", which transfer and assignment is hereby approved and agreed to by Atlantic. Upon completion of such transfer and assignment Hi Plus shall have all of the rights, titles and equities in and to said oil and gas leases and the acreage covered thereby as provided in the oil and gas lease sale agreement dated January [illegible], 1950, between Delhi and Hi Plus, which Delhi has prior to such assignment under the terms and provisions of said contract of development dated February [illegible], 1950, as amended by all supplementary

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contract dated July 21, 1950. Whenever El Paso hereafter shall be entitled to select a 320-acre tract as "earned gas acreage", El Paso may prepare a written recordable instrument designating such tract as "earned gas acreage" and at El Paso's request, Atlantic shall execute and deliver such instrument to El Paso.

2. El Paso assumes and agrees to be bound by all of the terms and provisions of said contract of development dated February 27, 1950, as amended by said supplemental contract dated July 21, 1950, as such contracts are modified and changed by this agreement.

4. The parties mutually agree that as of January 31, 1952, the amount as shown by Delhi's books as unrecovered by Delhi from the "development account" provided for in Article III, Section A, of said contract dated February 27, 1950, is $296,198.13, which "development account" as the same may be increased under the terms and provisions of said contract dated February 27, 1950, as amended by said supplemental contract dated July 21, 1950, is hereby assigned by Delhi to El Paso and shall be recovered by El Paso as assignee of Delhi out of 3/4ths of the production from said property as provided in said contracts.

5. Atlantic hereby waives the provisions of Article XIV of said contract dated February 27, 1950, and said Article XIV shall hereafter be considered as having been entirely deleted from said contract.

6. It is agreed that for the purposes of accounting hereafter as between El Paso and Atlantic, El Paso will account for all gas taken from the subject lands at the highest price being paid at date of purchase by any bona fide pipeline company for gas at the well head within 100 miles of the subject lands, considering quantity of delivery, quality of gas, pressure of delivery and right of extraction of liquids. For

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and Delhi shall be entitled to recover all of such expense out of 3/4ths of the production from formations below the Mesaverde formation only, in accordance with the terms and provisions of said contract dated February 27, 1950, as amended by said contract dated July 21, 1950. If any well drilled by Delhi should not be completed as a commercial oil or gas well in a formation(s) below the Mesaverde formation and if spacing requirements should permit and Delhi should plug such well back to the Mesaverde formation and such well should be productive of gas in the Mesaverde formation in quantities comparable to those of other Mesaverde wells on the subject lands, then El Paso agrees to take over such well and to pay Delhi therefor the usual cost for drilling (but not completing) a Mesaverde well at that time in said field, and such well shall thereafter be completed by El Paso at its cost, and thereafter such well shall be considered the same as any other Mesaverde well under the said contract of February 27, 1950, as amended. Atlantic agrees that the acreage to be earned by any such deep well or wells drilled to a formation below the Mesaverde shall be the same as is provided in said contract dated February 27, 1950, as amended.

9. El Paso agrees to purchase from Atlantic, and Atlantic agrees to sell to El Paso, all of Atlantic's interest in all gas (and the liquid hydrocarbons contained therein) produced from the Mesaverde or shallower formations from the subject lands for a period of ten years from this date, and El Paso shall account to Atlantic for its interest in all such gas under the terms and provisions of this contract on the basis of the prices stipulated in Paragraph 6 hereof.

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[illegible] any party hereto may, without relieving itself of its obligations under this agreement or under said agreement dated February 21, 1950 as amended by the supplemental contract dated July 21, 1950 assign any of its rights hereunder to a company with which it is affiliated, and any party hereto may assign its right, title or interest in, to and under this agreement, or under said contract dated February 21, 1950, as amended by supplemental contract [illegible] to a trustee or trustees, individual or corporate, as security for bonds, notes, debentures or other obligations or securities without such trustee or trustees assuming or becoming in any respect obligated to perform the obligations of the assignor under this agreement or under said contract dated February 21, 1950, as amended by supplemental contract dated July 21, 1950, and if such trustee be a corporation, without its being required to qualify to do business in any state in which any performance of this contract may occur.

[illegible] 11. Article IX, entitled "Indemnity to Atlantic," in [illegible] contract of date February 21, 1950, is amended to provide for the deletion of the indemnity bond in the penal sum of $50,000.00 heretofore furnished by Delhi to Atlantic, and Atlantic agrees that said bond may be cancelled. All other provisions of Article IX as to indemnity except as to the furnishing of such $50,000.00 bond to Atlantic shall be and remain in full force and effect.

IN TESTIMONY WHEREOF the parties hereto have executed this Agreement this 26th day of February, A. D., 1952.

THE ATLANTIC REFINING COMPANY

By J. H. Mendenhall
Attorney-in-Fact

DELHI OIL CORPORATION

ATTEST:

[signature]
Secretary

By [signature]
Vice President

[illegible]

ATTEST:

[signature]
[illegible] Secretary

By [signature]
Vice President

ILLEGIBLE

THE STATE OF TEXAS }
COUNTY OF DALLAS }

On this 26th day of February, 1952, before me appeared J. N. MENDENHALL, to me personally known, who being by me duly sworn did say: that he is Attorney-in-Fact for THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed by him as Attorney-in-Fact for said corporation by authority of its board of directors and said J. N. MENDENHALL did acknowledge said instrument to be the free act and deed of said corporation.

GIVEN under my hand and official seal this 26th day of February, A. D., 1952.

Holly Mae Tippett
Notary Public in and for Dallas County, Texas.

My commission expires:
June 1, 1953.

HOLLY MAE TIPPETT

THE STATE OF TEXAS }
COUNTY OF DALLAS }

ILLEGIBLE

On this 29th day of February, 1952, before me appeared P. T. BEE, to me personally known, who being by me duly sworn did say: that he is the VICE President of DELHI OIL CORPORATION, a Delaware corporation, and that the seal affixed to the foregoing 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 P. T. BEE did acknowledge said instrument to be the free act and deed of said corporation.

GIVEN under my hand and official seal this 29th day of February, A. D., 1952.

Notary Public in and for Dallas County, Texas.

My commission expires:

THE STATE OF TEXAS)

COUNTY OF El Paso)

On this 27th day of February, 1953, before me appeared C. L. Perkins, to me personally known, who being by me duly sworn did say: that he is the Vice-President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, and that the seal affixed to the foregoing 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. L. Perkins did acknowledge said instrument to be the free act and deed of said corporation.

GIVEN under my hand and official seal this 27th day of February, A. D., 1953.

Billye Doria
Notary Public in and for
El Paso County, Texas

My commission expires:

BILLYE DORIA
Notary Public, In and for El Paso County, Texas
My commission expires June 1, 1953

ILLEGIBLE

STATE OF NEW MEXICO, County of San Juan SS.
I hereby certify this instrument was filed for record on Jan 13, 1954 at 1:01 o'clock P. M., and duly recorded in book 236 page 8 of the Records of said county.
Virginia L. Stell
Probate Clerk and ex-officio Recorder

R-712-F

ASSIGNMENT OF OPERATING RIGHTS

This Agreement is made and entered into this 1st day of November, A.D., 1953, by and between THE ATLANTIC REFINING COMPANY, a Pennsylvania corporation, (hereinafter called "Atlantic"), DELHI OIL CORPORATION, a Delaware Corporation, (hereinafter called "Delhi"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, on February 27, 1950, Atlantic and Delhi entered into a certain contract (hereinafter referred to as the "Original Contract") relative to the development of various oil, gas and mining leases covering lands situated in San Juan County, New Mexico, and described therein, and amended on July 21, 1950, by Supplemental Contract; and

WHEREAS, under date of January 18, 1952, Delhi and El Paso entered into a certain Oil and Gas Lease Sale Agreement providing for sale of some of the interests acquired by Delhi in the Original Contract, as amended; and

WHEREAS, under date of February 26, 1952, Atlantic, Delhi and El Paso entered into a Contract and Memorandum of Contract which provided, among other things, for the assignment of gas rights to the base of the Mesaverde formation to El Paso, and for execution and delivery by Atlantic to El Paso of a written, recordable instrument designating "Earned Gas Acreage" as defined in the Original Contract; and

WHEREAS, El Paso has completed a gas well described as Lease #1 upon the following described tract of land in San Juan County, New Mexico, covered by United States Oil and Gas Lease dated 6-1-50, bearing Serial Number NMA-NM-0407, to-wit:

Township 30 North, Range 10 West, N.M.P.M.
Section 3: Lots 1, SE/4 NW/4, SW/4 SE/4, S/2 SE/4
containing 320 (300) acres, more or less;

and is entitled to a designation of such tract as Earned Gas Acreage and to assignment of certain operating rights therein;

NOW, THEREFORE, in consideration of the premises, Atlantic, Delhi and El Paso agree that the above described tract of land constitutes Earned Gas Acreage as defined in and specified by the Original Contract, as amended; that El Paso is and shall be Operator of said well and the above described tract of

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Jan 1954

ILLEGIBLE

land; and that gas and hydrocarbons produced and saved therefrom after payment of royalties due the Lessor and an overriding royalty of Two per cent (2 %) set out in assignment dated 6-15-50 from The Atlantic Refining Co. to San Juan Basin Pool shall be owned in the following proportions:

1. Until El Paso has recovered its expenditures from the "Development Account" as provided in the Original Contract, as amended, Atlantic shall own and receive free and clear of all development and operating costs, one-fourth (1/4) thereof, and El Paso shall own and receive three-fourths (3/4) thereof, out of which it shall pay and discharge all current operating costs and all of the overriding royalty reserved by Delhi as provided by the Oil and Gas Lease Sale Contract of Junuary 18, 1952;

2. After El Paso has recovered its expenditures from the "Development Account", then Atlantic shall own and receive one-half (1/2) thereof, subject to its proportionate share of outstanding royalties, overriding royalties and current operating costs; and El Paso shall own and receive one-half (1/2) thereof, subject to its proportionate share of outstanding royalties, overriding royalties and current operating costs, and subject to the burden of overriding royalties reserved by Delhi upon such share.

Atlantic has agreed to sell to El Paso and El Paso has agreed to purchase from Atlantic all of Atlantic's interest in such gas and the liquid hydrocarbons contained therein for a period of ten(10) years from February 26, 1952. El Paso will account to Atlantic for all gas taken from the above described well and tract of land at the highest price being paid at date of purchase by any bona fide pipe line company for gas at the wellhead within one hundred (100) miles thereof considering quantity of delivery, quality of gas, pressure of delivery, and right of extraction of liquids. For Atlantic's interest in all liquid hydrocarbons hereafter recovered or extracted from such gas, El Paso shall pay to Atlantic in cash a price equivalent of the fair market value of thirty-three and one-third per cent (33 1/3%) thereof. At all times prior to the completion of construction and commencement of operation by El Paso of a plant for the extraction of such liquids, El Paso shall pay to Atlantic in cash the estimated value of thirty-three and one-third per cent (33 1/3%) of all liquids produced with or contained in gas produced from the Mesaverde formation and removed from the subject lands

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and applicable to Atlantic's interest therein, regardless of whether such liquids are extracted from the gas.

This Assignment supplements the Original Contract of February 27, 1950, as amended, the Oil and Gas Lease Sale Agreement of January 18, 1952, and the Contract and Memorandum of Agreement of February 26, 1952, but does not modify or change any provisions contained in any of said contracts or agreements, and this Assignment is made subject to the applicable terms and provisions thereof.

IN WITNESS WHEREOF, this Assignment of Operating Rights is executed the day and year first hereinabove written.

ATTEST:

M. W. Miller
Assistant Secretary

THE ATLANTIC REFINING COMPANY

By L. A. Sunkel
Vice President

ATTEST:

Katherine Vaughn
Assistant Secretary

DELHI OIL CORPORATION

By Frank A. Schultz
Vice President

ATTEST:

H. C. Mantch
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By H. E. Sloan
Vice President

STATE OF TEXAS

COUNTY OF DALLAS

On this 18th day of December, 1953, before me personally appeared L. A. Sunkel, to me personally known, who, after being by me duly sworn did say that he is the Vice President of THE ATLANTIC REFINING COMPANY, a corporation, and that the seal affixed to the foregoing 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 L. A. Sunkel acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

6-1-55

Holly Mae Tippett
Notary Public in and for Dallas County, State of Texas

HOLLY MAE TIPPETT

STATE OF TEXAS

COUNTY OF DALLAS

On this 28th day of December, 1953, before me personally appeared Frank A. Schultz, to me personally known, who, after being my me duly

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sworn did say that he is the Vice President of DELHI OIL CORPORATION, a corporation, and that the seal affixed to the foregoing 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 Frank A. Schultz acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires: June 1, 1955

Marguerite Spencer
Notary Public in and for Dallas County, State of Texas

MARGUERITE SPENCER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF TEXAS

COUNTY OF EL PASO

On this 6 day of January, 1955, before me personally appeared H. F. STEEN, to me personally known, who, after being by me duly sworn did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a corporation, and that the seal affixed to the foregoing 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 H. F. STEEN acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Else M. Richardson
Notary Public in and for El Paso County, State of Texas

Else M. Richardson
Notary Public in and for El Paso County, Texas
My commission expires June 1, 1955

Return to: El Paso Natural Gas Co.

66

R-712

OIL AND GAS LEASE

PRODUCERS 88 SPECIAL
(with pooling clause)

Agreement, Made and entered into the 2nd day of July, 1953

by and between Rose Rosenwein, a feme sole,

of 6607 Cedar Street, Huntington Park, California, hereinafter called lessor (whether one or more), and El Paso Natural Gas Company, Post Office Box 1492, El Paso, Texas, (a Delaware Corporation) hereinafter called lessee:

Witnesseth: That the said lessor, for and in consideration of Dollars, cash in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil and gas, and of laying of pipe lines, and of building tanks, powers, stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of San Juan State of New Mexico described as follows, to-wit:

SE/4 NW/4 SE/4

of Section 3 Township 30 North Range 10 West and containing Ten (10) acres more or less.

It is agreed that this lease shall remain in force for a term of Five (5) years from this date, and as long thereafter as oil or gas or either of them is produced from said land, or from lands with which said land is pooled therewith, by lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which lessee may connect wells on said land, the equal one-eighth part of all oil produced and saved from the leased premises.

2nd. To pay lessor one-eighth (1/8) of the market value at the mouth of the well of gas from gas wells produced from the leased premises and sold; or one-eighth (1/8) of the market value at the mouth of the well of gas from gas wells produced from the leased premises and used in production of liquid hydrocarbons or otherwise used off the leased premises; such royalties to be payable monthly; and Lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling on said land during the same time, by making Lessor's own connection with the well at Lessor's own risk and expense.

, or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of TEN ($10.00) dollars which shall operate as a rental and cover the privilege of deferring the commencement of a well for Twelve (12) months from said date. In like manner and upon like payments or tenders, the commencement of a well may be further deferred for like periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil, gas or other minerals in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

Should the first well drilled on the above described land, or on acreage pooled therewith, be a dry hole, then, and in that event, if a second well is not commenced on said land, or on acreage pooled therewith, within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals, in the same amount and in the same manner as hereinbefore provided. And it is agreed that upon the resumption of the payment of rentals as above provided, that the provisions, hereof governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments, and if the lessee shall commence to drill a well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for lessee's operation thereon, except water from the wells of lessor.

When requested by lessor, lessee shall bury lessee's pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of lessor.

Lessee shall pay for damages caused by lessee's operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned—and the privilege of assigning in whole or in part is expressly allowed—the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land, or assignments of reatal or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof; and it is hereby agreed that in the event this lease shall be assigned as to a part or as to parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rents due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payment of said rental. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

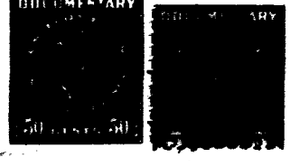
All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and the undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

IN TESTIMONY WHEREOF WE SIGN, This the 2nd day of July, 1953.

Witnesses:

Rose Rosenwein
Rose Rosenwein



ILLEGIBLE

66-H

STATE OF California
COUNTY OF Los Angeles } SS.

ACKNOWLEDGMENT, Applicable where lands are in Oklahoma, Kansas, Nebraska, South Dakota, Arizona and/or New Mexico

BE IT REMEMBERED, That on this 2nd day of July A. D., 19 53, before me, a Notary Public, in and for said County, personally appeared Rose Rosenstein, a feme sole,

X
X

to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal, the day and year first above written.

My commission expires June 2, 1957

G. H. CLARK
NOTARY PUBLIC in and for the County of [illegible], State of California.
Notary Public

STATE OF
COUNTY OF } SS.

ACKNOWLEDGMENT, Wyoming or Colorado

I, a Notary Public, in and for said County and State, do hereby certify that

personally known to me to be the person whose name subscribed to the within instrument, appeared before me this day in person and acknowledged that signed, sealed and delivered the said instrument of writing as free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal this day of A. D., 19

My commission expires Notary Public

STATE OF
COUNTY OF } SS.

ACKNOWLEDGEMENT, CORPORATION

Before me, the undersigned, a Notary Public, in and for said County and State, on this day of 19, personally appeared to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires Notary Public

P. O.

No.

OIL AND GAS LEASE

PRODUCER'S 88 SPECIAL (with pooling clause)

FROM

TO

Dated 19

Lot Block Addition

Section Township Range

County

No. of Acres Term

STATE OF Texas Marion
COUNTY OF Harris } SS.

This instrument was filed for record on the 27 day of July, 1953 at 8:35 o'clock A.M., and duly recorded in Book 216 Page 66 of the records of this office.

By Deputy

County Clerk - Register of Deeds

When Recorded Return to Roger Thompson

The Olds Press, Tulsa, Okla.

OKLAHOMA FORM OF ACKNOWLEDGMENT WHERE GRANTOR SIGNS BY MARK

NOTE—with reference to Oklahoma lands, when this instrument is signed by a person who cannot write his name he shall execute the same by his mark, and his name shall be written near such mark by one of two persons who saw such mark made, who shall write their names on such instrument as witnesses.

STATE OF
COUNTY OF } SS.

On this day of A. D., 19, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared and to me known to be the identical person who executed the within and foregoing instrument by mark, in my presence and in the presence of and as witnesses, the said signing the name of the said and acknowledged to me that executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires Notary Public