

GAS PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into as of this 12th day of January, 1956, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, with an office in El Paso, Texas, hereinafter referred to as "Buyer," and MELBORNE PETROLEUM CORP. hereinafter referred to as "Seller",

W I T N E S S E T H:

WHEREAS, Seller represents that it is the owner of valid and subsisting oil and gas leases in San Juan County, New Mexico, as described in Exhibit "A" attached hereto and hereby made a part hereof; and

WHEREAS, the parties hereto have agreed upon the sale and purchase of gas from Seller's wells on the lands described in said Exhibit "A";

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree with each other as follows:

ARTICLE I

Dedication and Reservations

Section 1. Subject to the other provisions hereof, Seller hereby dedicates to the performance of this agreement all gas produced from horizons down to and including the Pictured Cliffs formation, from the acreage described in Exhibit "A" hereto.

It is understood and agreed that this agreement shall have no application whatsoever to:

- a. Oil produced from the acreage covered hereby.
- b. Gas produced from formations lying below the

Pictured Cliffs formation.

c. Gas required by Seller for:

(1) Lease fuel, drilling, developing and operating, including gas consumed in recompressing gas used for gas-lifting oil produced from Seller's wells situated on the lands described in Exhibit "A" hereto.

(2) Delivery to Seller's lessors in any amount required to meet Seller's obligations to Seller's lessors.

Section 2. Subject to the provisions of Article VI hereof, the control, management and operation of Seller's lands and leases and the wells located thereon shall be and remain the exclusive right of Seller, including without limitation the drilling of new wells, the repair of old wells, renewal, extensions, release or termination in whole or in part of any lease agreement covering any of the lands described in Exhibit "A" hereto.

Section 3. Seller shall further have the right to form or to participate in the formation of any unit which may include all or any part of the leases described in Exhibit "A" and thereafter to increase or decrease the surface acreage contained in such unit so formed and to pool and combine any unit or any part of any unit with properties owned by others, provided that this agreement shall continue to apply to the interest of Seller in any such unit so formed or, having been formed, increased or decreased, to the extent Seller's interest in said unit is derived from the existing property described in Exhibit "A" hereto. To the extent desired by Seller, Seller shall also have the right from time to time to include

hereunder additional leases or interests in units hereafter acquired in the area in which the acreage covered hereby is located, and to make such leases and interests in units part of the lands and leases covered by this agreement. Seller shall also have the right to withdraw from the provisions of this agreement any lease described in Exhibit "A" hereto which in Seller's opinion is incapable of economic development and operation within the provisions of this agreement. In the event Seller elects to add additional lands and leases as contemplated by this Section 3, Seller shall give notice in writing to Buyer of any such additions, and this agreement shall be considered as amended accordingly.

## ARTICLE II

### Availability of Gas

Seller's obligation to deliver gas from the lands and leases covered hereby is subject to the capacity of Seller's wells to produce the quantities herein provided without damage to the reservoir or wells from which said gas is produced.

## ARTICLE III

### Quantity and Quality

Section 1. Subject to the other provisions hereof, Seller agrees to sell and deliver, and Buyer agrees to take and pay for, or failing to take, nevertheless to pay for, commencing ninety (90) days from the date hereof or ninety (90) days after notice of completion of each well is furnished by Seller to Buyer, whichever date is later, "an average daily quantity" of gas determined as follows: (1) a daily average quantity of gas from the wells

located on the acreage covered hereby in an amount not less than fifty percent (50%) of each well's daily stabilized producing capacity at the operating pressure of Buyer's gathering system, or, (2) not less than fifty percent (50%) of the gas deliverable from Seller's wells as restricted by the applicable rules and regulations (other than pro-ration rules) of the New Mexico Oil Conservation Commission or other body having jurisdiction, whichever is the lesser; provided, however, that, during periods when the wells covered hereby are subject to proration under rules and regulations of the New Mexico Oil Conservation Commission or other body having jurisdiction, Buyer's obligation to take an average daily quantity of gas hereunder shall be the lesser of (a) the quantity as determined under (1) or (2) above, or (b) ninety percent (90%) of the total allowable for such wells under such rules and regulations.

In order to allow Buyer the maximum flexibility in meeting its market requirements, Buyer shall have the right at any and all times to take quantities of gas from any well covered hereby up to one hundred percent (100%) of the gas legally deliverable from such well.

Section 2. In the event Buyer shall fail to take during any calendar year, or applicable portion thereof, the daily average quantity as herein provided, and such failure is not due to the physical non-availability of gas, causes within the control of Seller or force majeure intervention, then within sixty (60) days after the end of such calendar year, Buyer shall pay Seller the difference between the daily average quantity required to be taken

(less the quantities not taken for the reasons enumerated above) and the amount actually taken by Buyer during such calendar year. Payment shall be made at the weighted average price paid by Buyer for gas during such calendar year.

In the four (4) calendar years subsequent to that in which Buyer failed to take the gas so paid for, all gas taken by Buyer which is in excess of the average daily quantity required by Section 1 hereof to be taken for such year shall be known as "make-up gas" and shall be without charge to Buyer until such excess is equal to the amount of gas previously paid for but not taken.

Section 3. If at any time the total quantity of gas produced from all the lands and leases covered hereby fails to meet the specifications for gas as to quality as herein below provided, then at Buyer's request any or all such wells which produce gas having a quality less than herein stipulated shall be withdrawn from this agreement.

The gas delivered hereunder shall contain not more than one-fourth (1/4) grain of hydrogen sulphide nor more than five (5) grains of organic sulphur per one hundred (100) standard cubic feet and not more than five percent (5%) by volume of carbon dioxide. The gross heating value of the gas delivered hereunder shall be not less than one thousand fifty (1,050) British thermal units per standard cubic foot saturated with water vapor. The gas shall be reasonably free from objectionable liquids.

#### ARTICLE IV

##### Delivery Point and Pressure

Section 1. The delivery point for the gas deliverable hereunder from Seller's wells shall be at the mouth of the well or,

at Seller's election, on the gas discharge side of Seller's separator through which the gas is passed. Title to and ownership of such gas shall pass to and absolutely vest in Buyer at the point of delivery as aforesaid.

Section 2. Buyer shall take gas at natural wellhead flowing pressures, and shall have the right to operate its gathering system at pressures up to but not exceeding two hundred fifty pounds (250#) per square inch gauge.

Buyer represents that it contemplates a gradual reduction in the pressure of its gathering system consistent with the decline in pressure in the reservoir from which the gas covered hereby is being produced, and agrees from time to time to lower the operating pressure in its gathering system consistent with such reservoir decline to the extent necessary to permit at least eighty percent (80%) of all wells producing from such reservoir at the time and connected to such gathering system to deliver gas, without compression, into Buyer's gathering system; provided that Buyer shall not in any event be obligated to reduce such gathering pressure to less than fifty pounds (50#) per square inch gauge or be required to take or pay for gas not deliverable into the gathering system at the pressure existing from time to time as in this section authorized, provided further however that Seller, at its option and own expense may by compression increase the pressure of any such gas to make the same deliverable into the gathering system and provided still further that Buyer, at its option, may by compression increase the pressure of any such gas to make the same deliverable into the

gathering system, in which said latter event there shall be an appropriate adjustment in the price of the gas so admitted to reimburse Buyer for the fair and reasonable cost of the compression so supplied.

#### ARTICLE V

##### Right-of-Way

Section 1. Seller grants to Buyer, so far as Seller has the right to do so, right-of-way on the acreage covered by this agreement for Buyer's gathering pipe line and other equipment as may be necessary, with full right of ingress and egress to and from said premises, and the further right to do thereon acts necessary or convenient for the carrying out of the terms of this agreement.

Section 2. All equipment placed on said acreage by Buyer shall be and remain its property and shall be subject to removal by it at any time.

#### ARTICLE VI

##### Regulation

Subject to the provisions of Article I hereof, Buyer shall have the right to regulate the flow of gas at the points of delivery hereunder insofar as the fluctuating demand of Buyer's market is concerned, but such regulation shall be subject to control by Seller insofar as the ability of any well or wells to produce and, insofar as possible, reservoir damage by excessive rates of withdrawal are concerned.

#### ARTICLE VII

##### Drips and Separators

Seller agrees to install all drips, separators and other

devices that may be found necessary to separate crude oil, liquid hydrocarbons and water in its liquid state from the gas so that such oil, liquid hydrocarbons and water in its liquid state may be kept from entering Buyer's pipe line, all oil and liquid hydrocarbons so separated on Seller's premises remaining the property of Seller; provided it is not intended hereby to permit or require Seller to remove or recover hydrocarbons from the gas other than such as may be recovered through use of a conventional gas-oil field separator.

#### ARTICLE VIII

##### Meters

Section 1. Buyer, at its sole cost and expense, shall install, maintain and operate at the points of delivery a standard orifice meter for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, including the appendix thereto, of the Natural Gas Department of the American Gas Association. Buyer shall cause the charts on such meter to be changed daily or weekly, as may be agreed upon by the parties hereto. The respective meter, meter readings and meter charts shall be accessible, at all reasonable times, to inspection and examination by Seller.

Section 2. From time to time and at least once in each three (3) months, the accuracy of Buyer's measuring equipment shall be verified by and at the expense of Buyer in the presence of Seller's representative, and the parties shall jointly observe any adjustments which are made in such measuring equipment. If either party

at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. Buyer shall give Seller notice of the time of all tests in order that Seller may conveniently have its representative present. Reading, calibration and adjustment of Buyer's meters and changing of charts shall be done by Buyer.

Section 3. If upon any test the percentage of inaccuracy shall be two percent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon, but, in case the period is not definitely known or agreed upon, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by Buyer as closely as possible to a condition of accuracy. If for any reason any meter is out of service or out of repair so that the amount of natural gas delivered cannot be estimated or computed from the reading thereof, the amount of natural gas delivered during the period such meter is out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

- a. By correcting the error if the percentage of error is ascertainable by calibration test or mathematical calculation.
- b. By using the registration of Seller's check meter if installed and accurately registering.
- c. By estimating the quantity of delivery by deliveries

during preceding periods under similar conditions when the meter was registering accurately.

Section 4. Seller may, at its option and expense, install and operate a check meter to check Buyer's meter, but measurement of gas for the purpose of this agreement shall be by Buyer's meter, except as hereinabove specifically provided to the contrary.

#### ARTICLE IX

##### Gas Measurement

Section 1. The unit of measurement for the natural gas delivered under this agreement shall be one (1) cubic foot at a base temperature of sixty (60) degrees Fahrenheit and at a base pressure of fifteen and twenty-five thousandths pounds (15.025#) per square inch absolute, and the readings and registrations of the metering equipment herein provided for shall provide the basis for computation of the volume of gas delivered hereunder into such units, 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, except as hereinafter provided. These specifications shall be applied in a practical and appropriate manner, and correction shall be made for deviation from Boyle's Law.

Section 2. For meters of the orifice type, the following factors shall be given due consideration:

a. The temperature of the natural gas flowing through Buyer's meter shall be obtained by the use of a recording thermometer so installed by Buyer that it may properly record the

temperature of such gas. The arithmetical average recorded temperature shall be used in computing volumes hereunder.

b. The specific gravity of the natural gas shall be determined by Buyer each three (3) months (joint tests if desired by Seller) on or as near the first of each three (3) months' period as practicable, by means of an Edwards type balance or by such other method as may be agreed upon by the parties hereto. Such test shall determine the specific gravity to be used in computations for the measurement of the natural gas deliveries during each three (3) months' period.

Section 3. Tests for the determination of gasoline content of the gas sold hereunder shall be made by Buyer and at Seller's option in presence of Seller's representative each three (3) months on or as near the first of each three (3) months period as practicable. The Natural Gasoline Association of America standard charcoal method, or such other method as may be agreed upon, shall be used in making such test. The content so determined shall be adjusted to the pressure base specified in Article IX hereof.

Section 4. Seller shall be notified of and have the right to be represented at and to participate in all tests of gas delivered hereunder or of any equipment used in measuring or determining the nature or quality of such gas.

#### ARTICLE X

##### Billing

Section 1. Buyer, on or before the tenth (10th) day of each calendar month, shall render to Seller a statement accompanied

by charts, showing the amount of gas purchased during the preceding calendar month, and payment shall be made by Buyer to Seller at 712 Simms Building, Albuquerque, New Mexico on or before the twentieth (20th) day of each calendar month for such gas, less all applicable taxes paid by Buyer for Seller's account.

Section 2. Seller shall return to Buyer all charts after a thirty (30) day period. Seller shall have access to Buyer's records and books at all reasonable hours so far as they affect measurement and settlement for the gas sold hereunder.

#### ARTICLE XI

##### Price

Section 1. Buyer shall pay Seller for all gas delivered hereunder in accordance with the following schedule:

a. From the period commencing with the initial delivery of gas hereunder until January 1, 1959, ten cents (10¢) per thousand (1,000) cubic feet.

b. For the five (5) year period commencing on January 1, 1959, eleven cents (11¢) per thousand (1,000) cubic feet.

c. For the next five (5) year period, twelve cents (12¢) per thousand (1,000) cubic feet.

d. Thereafter until terminated, the market value at the delivery point, at the commencement of each such five (5) year period of gas of similar quality and pressure in the area from which the gas covered by this agreement is being produced, but not less than thirteen cents (13¢) per thousand (1,000) cubic feet.

Section 2. Buyer agrees to make payment to Seller on the basis of the schedule set out in "Basis of Settlement for Gasoline and

Additional Products", attached hereto as Exhibit "B", for all natural gasoline contained in all the gas purchased hereunder, irrespective of whether such gas is processed for extraction of said gasoline.

In the event Buyer processes (or causes to be processed) the gas purchased hereunder for the extraction of other liquid or liquefiable petroleum products, Buyer shall pay Seller for such other products on the basis of the schedule set out in "Basis of Settlement for Gasoline and Additional Products", attached hereto marked Exhibit "B" and hereby made a part hereof.

Buyer agrees to pay Seller at all times for such gasoline and other products at the highest price, and on the most favorable basis being used by Buyer in paying and settling with other sellers furnishing Pictured Cliffs gas to the plant in which Seller's gas is being processed.

Section 3. If, at any time or times subsequent to the date of execution of this agreement, Buyer shall purchase any quantity of gas produced from formations down to and including the Pictured Cliffs formation in the San Juan Basin area of New Mexico at a price per thousand (1,000) cubic feet which is higher than the price being paid to Seller for gas hereunder, Buyer shall forthwith notify Seller of such fact. Buyer agrees the price being paid to Seller for gas hereunder shall be immediately increased to equal such higher price being paid to such other seller, and such higher price hereunder shall continue in effect so long as, but only so long as, any such higher price is paid to such other seller. In determining whether the price payable for such gas is "higher"

than the price payable for gas under this agreement, due consideration shall be given to the provisions as to quality of gas, delivery pressures, gathering and compressing obligations, provisions regarding measurement of gas, including deviation from Boyle's Law, taxes payable on or with respect to such gas, and all other pertinent factors except quantity.

Section 4. Seller hereby assumes the responsibility and liability for making payments to the lessors and royalty owners for proportionate amounts due them on account of all gas sold hereunder.

## ARTICLE XII

### Taxes

Section 1. Subject to the other provisions of this article, Seller shall pay or cause to be paid all taxes and assessments imposed on Seller with respect to the gas delivered hereunder prior to its delivery to Buyer, and Buyer shall pay or cause to be paid all taxes and assessments imposed upon Buyer with respect to the gas delivered hereunder after its receipt by Buyer. Neither party shall be responsible or liable for any taxes or other statutory charges levied or assessed against any of the facilities of the other party used for the purpose of carrying out the provisions of this agreement.

Section 2. Any sales, transaction, occupation, service, production, severance, gathering, transmission, export or excise tax, assessment or fee levied, assessed or fixed by the United States, the State of New Mexico, or other governmental authority and taxes of a similar nature or equivalent in effect (not including income

excess profits, capital stock, franchise or general property taxes) in respect of or applicable to the gas delivered hereunder to Buyer in addition to or greater than those, if any, being levied, assessed or fixed on the date of this agreement in respect of or applicable to such gas and which Seller may be liable for, either directly or indirectly, or through any obligation to reimburse others, are hereinafter collectively referred to as an "additional tax"; provided, however, that all existing taxes, up to the present respective rates thereof, now imposed on the parties hereto shall not be considered as an additional tax. It is expressly understood and agreed between the parties hereto that Buyer shall, subject to the conditions hereinafter set forth, pay to Seller three-fourths ( $3/4$ ths) of any such additional tax. Should Seller so become liable for any such additional tax, Seller shall notify Buyer immediately. Within ninety (90) days after the end of each calendar month, Seller shall prepare and submit to Buyer a statement setting forth the amount of any such additional tax that Seller has paid during such calendar month, and within thirty (30) days after submission of such statement, adjustment between the parties hereto shall be made by Buyer reimbursing Seller to the extent of three-fourths ( $3/4$ ths) of the amount of any such additional tax which Seller shall have so paid. The tax reimbursement herein provided for shall apply to the total amount of money Seller is required to pay by virtue of any such additional tax but shall not apply to any delinquent interest or penalty payments that may be applicable to any such additional tax. Taxes applicable to any royalty, overriding royalty, production payment or similar interest shall be considered

to be covered by the provisions of this Section 2 only if the reimbursement made by Buyer to Seller with respect thereto is passed on by Seller to the owner of such royalty, overriding royalty, production payment or similar interest.

#### ARTICLE XIII

##### Title

Seller hereby warrants the title to the gas, the Seller's right to sell the same, and that such is free from all liens and adverse claims.

#### ARTICLE XIV

##### Indemnification

Neither Seller nor Buyer shall be held responsible or liable hereunder for damages for the acts or conduct of the other.

#### ARTICLE XV

##### Force Majeure

Except for Buyer's obligation to make payment for gas delivered hereunder, neither party hereto shall be liable for any failure to perform the terms of this agreement when such failure is due to "force majeure" as hereinafter defined. The term "force majeure" as employed in this agreement shall mean acts of God, strikes, lockouts or industrial disturbances, civil disturbances, arrests and restraint from rulers and people, interruptions by government or court orders, present and future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure right-of-way, inability to secure labor or materials, including inability to secure materials as a result of allocations promulgated by authorized

governmental agencies, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipe lines, partial or entire failure of gas supply, or any other cause whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming force majeure. Nothing herein contained, however, shall be construed to require either party to settle a strike against its will.

#### ARTICLE XVI

##### Successors and Assigns

This agreement shall bind and benefit the parties hereto and their respective successors and assigns, provided that no conveyance or transfer of any interest of either party shall be binding upon the other party until such other party has been furnished with written notice and true copy of such conveyance or transfer; provided further, that either Buyer or Seller, or both, may assign its right, title and interest in, to and by virtue of this agreement, including any and all extensions, renewals, amendments and supplements thereto, to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without such trustee or trustees assuming or becoming in any respect obligated to perform any of the obligations of the assignor, and, if any such trustee be a corporation, without its being required by the parties hereto to qualify to do business in the State of New Mexico.

ARTICLE XVII

Term

This agreement shall be effective from the date hereof, and shall remain in force for a period of twenty (20) years from the first deliveries of gas hereunder, and thereafter from month to month until sixty (60) days' notice in writing of termination is given by either party to the other.

ARTICLE XVIII

Miscellaneous

Section 1. Notices to be given hereunder shall be deemed sufficiently given and served when and if deposited in the United States Mail, postage prepaid and registered, addressed to Seller at 712 Simms Building, Albuquerque, New Mexico or to Buyer at P. O. Box 1492, El Paso, Texas, as the case may be, or to such other address as either party shall respectively hereafter designate in writing.

Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered mail or ordinary first class mail, postage prepaid.

Section 2. It is hereby agreed that this agreement shall be subject to the condition that nothing herein shall be construed as affecting any of the relations between the United States and its lessee, particularly in matters of gas waste, taking royalty in kind and the method of computing royalties due as based on a minimum price and in accordance with the terms and provisions of the oil and gas operating regulations applicable to the lands covered hereby.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed, in duplicate originals, on this the day and year first above written.

"Buyer"

ATTEST:

EL PASO NATURAL GAS COMPANY

/s/ V. M. Plummer

Assistant Secretary

By /s/ D. H. Tucker

Vice President

"Seller"

ATTEST:

MELBORNE PETROLEUM CORPORATION

/s/ William J. Bingham

Secretary

By /s/ Harry Bredvad

President

EXHIBIT "A"

This Exhibit "A" is attached to and made a part of agreement  
between EL PASO NATURAL GAS COMPANY and MELBORNE PETROLEUM CORP.  
dated January 12, 1956:

North Half (N/2) of Section 22, Township 29  
North, Range 11 West, San Juan County,  
New Mexico.

EXHIBIT "B"

Basis of Settlement for  
Gasoline and Additional Products

Attached to and made a part of contract dated January 12, 1956  
by and between EL PASO NATURAL GAS COMPANY, Buyer, and MELBORNE  
PETROLEUM CORP., Seller.

GASOLINE

1. PRICE. The Buyer shall pay to Seller for the gasoline  
contained in the gas delivered hereunder a price computed on the  
following basis:

a. When the average price for Grade 26/70 natural gasoline,  
or its substantial equivalent, is less than 2¢ per gallon, 15% of  
the value of the gasoline contained in said gas.

b. When the average price of Grade 26/70 natural gasoline  
or its substantial equivalent, is 2¢ but less than 3¢ per gallon,  
20% of the value of the gasoline contained in said gas.

c. When the average price of Grade 26/70 natural gasoline,  
or its substantial equivalent, is 3¢ but less than 4¢ per gallon,  
25% of the value of the gasoline contained in said gas.

d. When the average price of Grade 26/70 natural gasoline  
or its substantial equivalent, is 4¢ but less than 5¢ per gallon,  
30% of the value of the gasoline contained in said gas.

e. When the average price of Grade 26/70 natural gasoline,  
or its substantial equivalent, is 5¢ or more per gallon, 33-1/3%  
of the value of the gasoline contained in said gas.

The "average price" used in the above table a. to e.  
shall be the higher of the following two prices during each

settlement period: (1) the average sales price of Grade 26/70 natural gasoline, or its substantial equivalent, as quoted in the National Petroleum News for the North Texas District, or (2) Buyer's net realization f.o.b. the plant for equivalent 26/70 gasoline.

The value of the gasoline contained in a thousand cubic feet of gas shall be determined by multiplying the gasoline content (determined as hereinafter provided) by the Buyer's net realization f.o.b. the plant during each settlement period.

2. QUANTITY: The quantity of gasoline contained in each one thousand (1,000) cubic feet of gas delivered hereunder shall be determined by multiplying the tested content determined in accordance with Article IX hereof multiplied by a fraction the numerator of which shall be the actual net plant production of natural gasoline and the denominator of which shall be the total tested natural gasoline production. The actual net plant production expressed in gallons shall be the total net deliveries of natural gasoline adjusted for change in inventories. The total tested natural gasoline productions shall be the sum of the products obtained by multiplying each individual quarterly field test yield by the applicable measured volume of gas from each connection.

#### ADDITIONAL PRODUCTS

Buyer shall, with reference to all additional products, compensate Seller by paying Seller for gas delivered under this contract, in addition to the sum of money otherwise provided to be paid therefor, a sum to be computed by multiplying the actual average net sales price of additional products, hereinafter defined, by the quantity of additional products actually saved and sold from the

plant attributable to gas delivered by Seller to Buyer, and multiplying the result by whichever of the following percentages is applicable, to wit:

15% when said average net sales price of additional products is 2¢ or less per gallon;

20% when said average net sales price of additional products is more than 2¢ but less than 4¢ per gallon;

25% when said average net sales price of additional products is 4¢ or more per gallon but less than 6¢;

33-1/3% when said average net sales price of additional products is 6¢ or more per gallon.

The "average net sales price of additional products" shall be the average net sales price per gallon f.o.b. plant of additional products saved and sold during the settlement period involved. The "quantity of additional products actually saved and sold from Buyer's plant attributable to gas delivered by Seller to Buyer" shall, for the purpose of this computation, be that percentage of such additional products actually saved and sold from the plant, expressed in gallons, which the total gasoline content (determined as hereinabove provided) of the gas delivered by Seller to the plant bears to the total gasoline content of all gas delivered to the plant (determined in a like manner). By the term "additional products" is meant all products other than and in addition to residue gas and natural gasoline not in excess of 26 R. V. P. currently being manufactured in Buyer's plant.

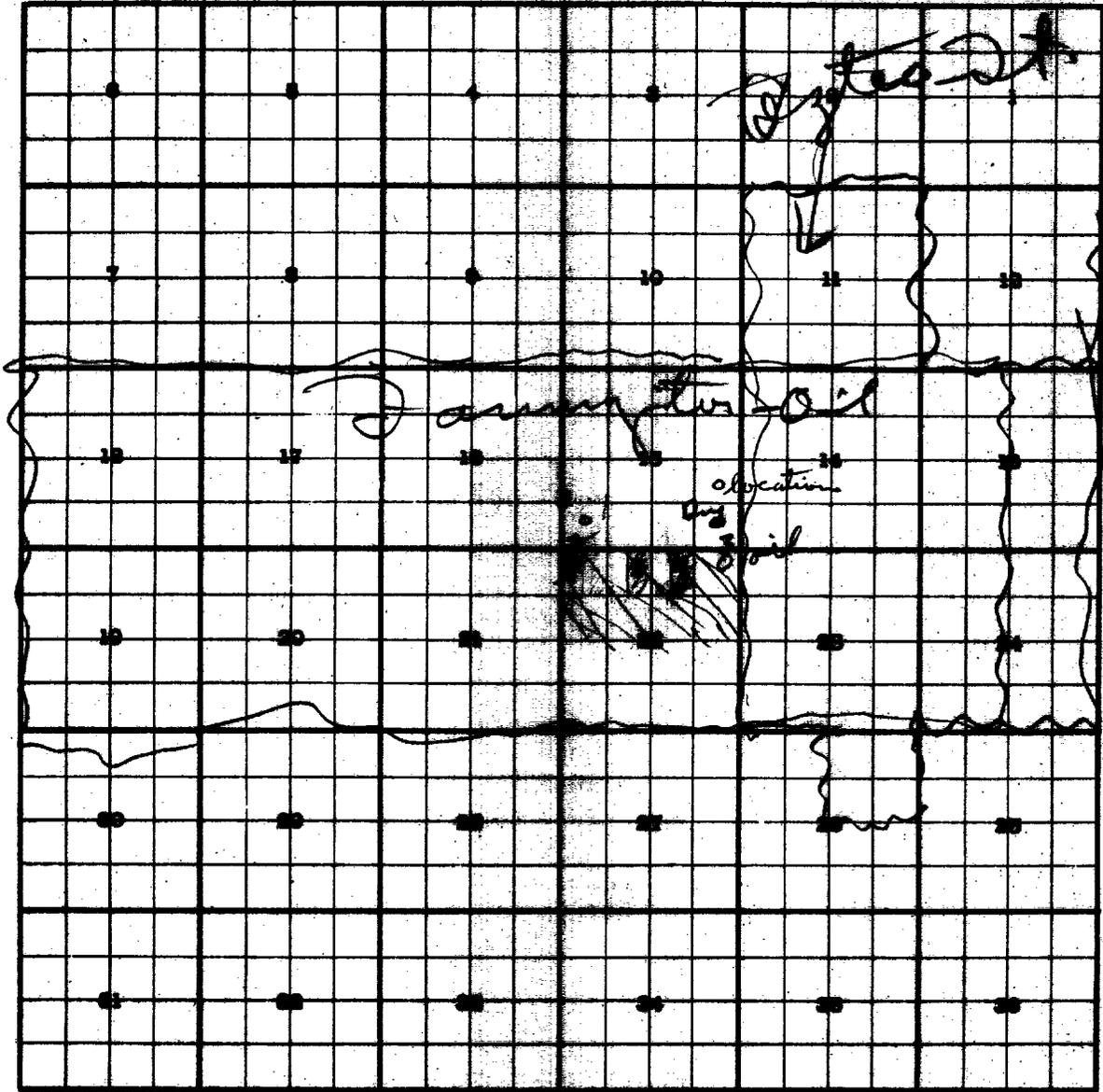
As to any of such liquid products that Buyer removed from said plant for its own use at points away from the plant, same

shall be deemed to have been sold f.o.b. the plant at the same price per gallon at which actual sales to others f.o.b. the plant of like material during the settlement period. In the event there should be no actual sales of liquid products from the plant to others during any settlement period, then the average net sales price which Buyer shall use in computing payment to Seller for any of such liquid products used by Buyer, as aforesaid, shall be the weighted average net sales price of the three (3) nearest manufacturers, f.o.b. their plants, of like material in the same general area during such settlement period.

County \_\_\_\_\_

Pool \_\_\_\_\_

TOWNSHIP 29N RANGE 11W NEW MEXICO PRINCIPAL MERIDIAN



① Melbourne Pub. - Finch #1, C-101-1-25-36

② shows acreage as stipulated in Est "A" of application for cert. of Public. Con. on Perm. Further shows Finch #2 instead of #1

③ Purchase contract shows 1/2 of 22

④ Page & Davis #2

⑤ Melbourne - Finch #1-A C-101-11-2-55

~~1027 - well~~  
~~1095 - well~~  
~~1540 - well~~  
~~3440 - well~~  
~~533 - well~~  
~~4495 - well~~

To 1st FAREWELL TON. PLOT

PAGE DAVIS - SLOMAN W1

DATA FROM 109. 563 GR  
5/8 I. Fm. sand.  
+ 5053

A



T. F. 491

MELBORNE - RT. FINES. W1  
DATA MELBORNE. 5455 GR  
492. 7100Y  
4953

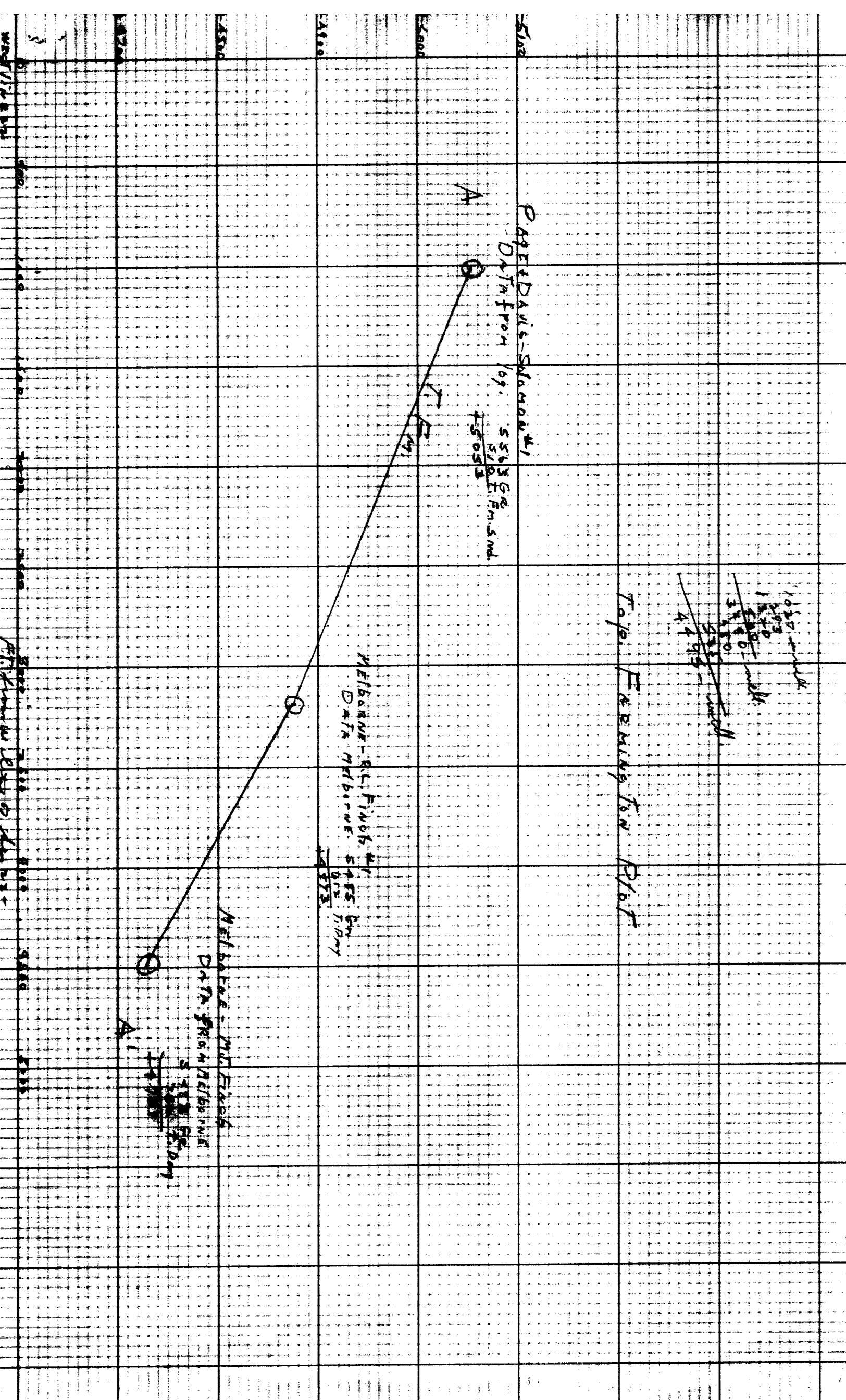


MELBORNE - MUL. FINES

DATA FROM MELBORNE

5455 GR  
492. 7100Y  
4953

A



NEW MEXICO  
OIL CONSERVATION COMMISSION

Gas Well Plat

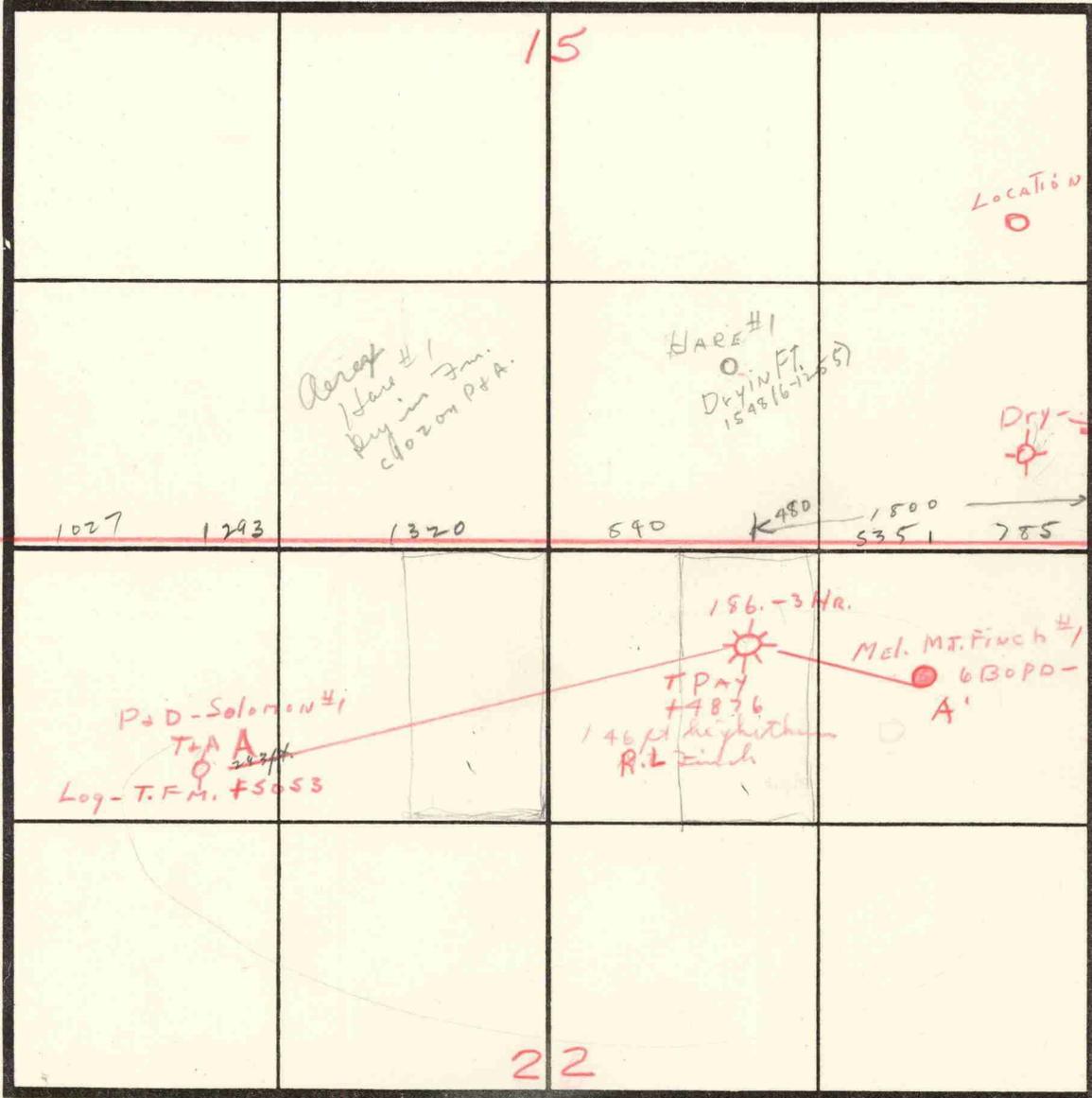
Date \_\_\_\_\_

Operator \_\_\_\_\_ Lease \_\_\_\_\_ Well No. \_\_\_\_\_

Name of Producing Formation \_\_\_\_\_ Pool \_\_\_\_\_

No. Acres Dedicated to the Well \_\_\_\_\_

SECTION \_\_\_\_\_ TOWNSHIP \_\_\_\_\_ RANGE \_\_\_\_\_



I hereby certify that the information given above is true and complete to the best of my knowledge.

Name \_\_\_\_\_  
Position \_\_\_\_\_  
Representing \_\_\_\_\_  
Address \_\_\_\_\_

(over)