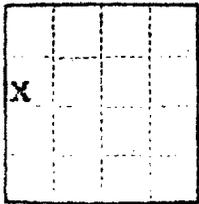


BEST AVAILABLE COPY



(SUBMIT IN TRIPLICATE)

Land Office **New Mexico**

Lease No. **029139**

Unit

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	<input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF WATER SHUT-OFF
NOTICE OF INTENTION TO CHANGE PLANS		SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT
NOTICE OF INTENTION TO PULL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL		

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

June 2, 1961

Texaco-Federal

Well No. **2** is located **1650** ft. from **N** line and **990** ft. from **W** line of sec. **13**

S.W/4 of NW/4, Sec. 13
(1/4 Sec. and Sec. No.)

20S
(Twp.)

29E
(Range)

NMPM
(Meridian)

Wildcat
(Field)

Eddy
(County or Subdivision)

New Mexico
(State or Territory)

The elevation of the derrick floor above sea level is **3320** ^{est.} ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Drill 12" hole to top of salt (approximately 325')

Set 8-5/8" casing with sufficient cement to circulate.

Drill 7-3/4" hole to 100' below base of salt and set 7" casing with 25 sacks.

If pay encountered, cut and pull 7" casing, run 4-1/2" casing to TD.

Cement with sufficient cement to circulate to surface.

Southwestern, Inc., will be the contractor with cable tools.

Will abide by rule R-1-11A.

BEFORE THE
OIL CONSERVATION
SANTA FE, NEW MEXICO
Jack EXHIBIT NO. 6
CASE 2432

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company **Paul E. Haskins**

Address **301 First National Bank Bldg.**

Midland, Texas

By

Title **Paul E. Haskins, Owner**

R 29 E

Case 2432



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CONTOURS ON TOP TANSILL

File Case 2432

SEC. 17 LEASE
COMPETITIVE

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Office New Mexico
Serial NM 029139

Return to
The Texas Co.
Prod. Dept.
Box 1720
Fort Worth, Texas

LEASE OF OIL AND GAS LANDS UNDER THE ACT OF
FEBRUARY 25, 1920, AS AMENDED

1557

THIS INDENTURE OF LEASE, entered into this 15th day of February, 1920, by and between the UNITED STATES OF AMERICA, by the Bureau of Land Management, hereinafter called the lessor, and The Texas Company, c/o J. H. Markley, Jr., Attorney-in-Fact, P. O. Box No. 1720, Fort Worth, Texas

hereinafter called the lessee, under, pursuant, and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437, 29 U. S. C. sec. 181 et seq.), as amended, hereinafter referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force when not inconsistent with any express and specific provisions herein, which are made a part hereof,

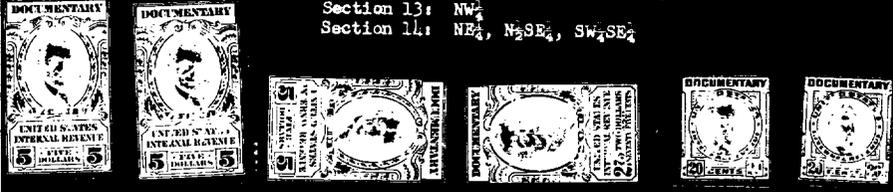
WITNESSETH:

SECTION 1. *Rights of Lessee.*—That the lessor, in consideration of rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits except helium gas in or under the following-described tracts of land situated in the

Getty

T. 20 S., R. 29 E., N. Mex. Prin. Mer.

Section 13: NW $\frac{1}{4}$
Section 14: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$



containing 440 acres, more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 5 years, and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistencies with the terms of this lease occur.

SEC. 2. In consideration of the foregoing, the lessee agrees:

(a) *Bonds.*—(1) To maintain any bond furnished by the lessee as a condition for the issuance of this lease.

(2) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$5,000 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted, or unless a bond has been filed under 43 CFR 192.109 (c) applicable to this lease.

(b) *Cooperative or unit plan.*—Within 30 days of demand, or if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within 90 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool or part thereof, embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) *Wells.*—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid in different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined by said Director; (2) at the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practice.

(d) *Rentals and royalties.*—(1) To pay rentals and royalties in amount or value of production removed or sold from the leased lands as set forth in the rental and royalty schedule attached to and made a part hereof.

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such

times and in such tanks provided by the lessee as reasonably may be required by the lessor; but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties may be waived, suspended or reduced and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that, for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(e) *Payments.*—Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor, to the order of the Treasurer of the United States, such payments to be tendered to the manager of the land office in the district in which the lands are located or to the Director of the Bureau of Land Management if there is no land office in the State in which the lands are located.

(f) *Contracts for disposal of products.*—To file with the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or evidence of any other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land; *Provided*, That nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to gas waste taking royalty in kind, and the method of computing royalties due as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(g) *Statements, plats and reports.*—At such times and in such form as the lessor may prescribe, to furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plat showing development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation and costs.

(h) *Well records.*—To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by the lessor of all wells drilled on the leased lands, and an acceptable record of all subsurface investigations affecting said lands, and to furnish them, or copies thereof, to the lessor when required. All information obtained under this paragraph, upon the request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(i) *Inspection.*—To keep open at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessee, shall not be open to inspection by the public until the expiration of the lease.

(j) **Diligence, prevention of waste, health and safety of workmen.**—To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by the lessor; to carry on all operations in accordance with approved methods and practice as provided in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or damage to deposits or formations containing oil, gas, or water or to coal measures or other mineral deposits, for conservation of gas energy, for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to plug properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to this lease was produced or derived; to pay when due, carry out at expense of the lessee all reasonable orders of the lessor relative to the matters in this paragraph, and that on failure of the lessee so to do the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the lessor's cost; *Provided*, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(k) **Taxes and wages, freedom of purchase.**—To pay when due all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil and gas produced from the lands hereunder, or other rights, property or assets of the lessor; to accept all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(l) **Non-discrimination.**—Not to discriminate against any employee or applicant for employment because of race, color, creed, or national origin, and to require an identical provision to be included in all subcontracts.

(m) **Assignment of oil and gas lease or interest therein.**—As required by applicable law, to file for approval within 90 days from the date of final execution any instrument of transfer made of this lease, or any interest therein, including assignments of royalty, working or royalty interests, operating agreements, or subleases, such instrument to take effect upon the final approval by the Director, Bureau of Land Management, as of the first day of the lease month following the date of filing in the proper land office.

(n) **Preference in purchase or conveyance at reasonable rates and without discrimination.**—If owner, or operator, or owner of a controlling interest in any pipeline or of any company operating the same which may be operated across the oil or gas derived from lands under this lease, to accept and convey, and, if a purchaser of such products, to purchase at reasonable rates and without discrimination the oil or gas of the Government or of any citizen or citizen not the owner of any pipeline, operating a lease or purchasing or selling oil, gas, natural, gasoline, or other products under the provisions of the act, or under the provisions of the act of August 7, 1916 (41 Stat. 476), or U. S. C. Sec. 321.

(o) **Lands patented with oil and gas deposits reserved to the United States.**—To comply with all statutory requirements and regulations the result of which the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(p) **Reserved or reserved lands.**—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management, for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease, which latter shall be regarded as the dominant use unless otherwise provided herein or separately regulated.

(q) **Protection of surface, natural resources and improvements.**—To take such reasonable steps as may be needed to prevent operations from unnecessarily: (1) causing or contributing to soil erosion or damaging any future and timber growth thereon, (2) damaging the waters of reservoirs, streams, streams or wells, (3) damaging crops, including forage, timber, or improvements of a surface owner, or (4) damaging range improvements whether owned by the United States or by its grazing permittees or lessees; and upon conclusion of operations, so far as can reasonably be done, to restore the surface to its former condition. The lessee may make such steps to be taken and restoration to be made with respect to lands of the United States and improvements thereon.

(r) **Overriding royalties.**—Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(s) **Delivery of products in case of forfeiture.**—To deliver to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 2. The lessor reserves:

(a) **Leasehold and right-of-way.**—The right to permit for lease or several use easements or rights-of-way, including easements in turn-of-way, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or to the authority of the Government, its lessees or permittees, and for other public purposes.

(b) **Disposal of surface.**—The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing laws or laws hereafter enacted, in so far as such surface is not necessary to the use of the lessee in the extraction and removal of the oil and gas thereon, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) **Mineral and other property.**—Full power and authority to pool, segregate and otherwise act in any manner necessary to insure the safe and

production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) **Helium.**—Pursuant to section 1 of the act, and section 1 of the act of March 3, 1927 (44 Stat. 1367), as amended, the ownership and the right to extract helium from all gas produced under this lease subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. In case the lessee elects to take the helium the lessee shall deliver all gas containing same, or portion thereof desired, to the lessor at any point on the leased premises in the manner required by the lessor, for the extraction of the helium in such plant or reduction works for that purpose as the lessee may specify, or at the residue shall be returned to the lessee without substantial delay in the delivery of gas produced from the well to the purchaser thereof. The lessee shall not suffer a diminution of value of the gas from which the helium has been extracted, or loss otherwise, for which he is not reasonably compensated save for the value of the helium extracted. The lessor further reserves the right to erect, maintain, and operate any and all reduction works and other equipment necessary for the extraction of helium on the premises leased.

(e) **Value of royalties.**—All rights pursuant to section 36 of the act, to take a royalty in amount or in value of production.

(f) **Water.**—All rights pursuant to section 40 of the act to purchase, lease, and lease or operate valuable water wells.

(g) **Fissionable materials.**—Pursuant to the provisions of section 5 (b) (7) of the act of August 1, 1946 (60 Stat. 724, 769, 42 U. S. C. 836), and all amendments thereto, and other laws, and to the extent essential to the production of fissionable materials, amount of in whatever concentration, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine and remove the same, making just compensation for any damage or injury occasioned thereby.

Sec. 4. **Production and production restrictions.**—It is agreed that the rate of production and development and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations, and the number, or lawful arrangements among operators operating for oil or gas production, or both. After authorization, the Secretary of the Interior, or any person, committee, or State or Federal land agency so authorized in the unit plan, may alter or modify from time to time, the rate of prospecting and development, and the quantity and rate of production from the lands covered by this lease.

Sec. 5. **Production and termination of lease.**—The lessee may extend this lease or any legal subdivision thereof by filing in the land office a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued payment by the lessee and his guaranty to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the applicable lease terms and provisions.

Sec. 6. **Removal of materials, etc., on termination of lease.**—Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessee shall have the privilege at any time within a period of 90 days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and other things used or placed on the premises, which are allowed to remain on the leased lands shall become the property of the lessor on expiration of the primary period or such extension thereof as may be granted because of adverse climatic conditions throughout said period. *Provided*, That the lessee shall remove any or all of such property whose so directed by the lessor.

Sec. 7. **Waiver in case of default.**—If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or if the lease or make default in the performance or observance of any of the terms hereof and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, this lease may be canceled by the Secretary of the Interior in accordance with section 51 of the act except that if this lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in section 31 of the act; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. A waiver of any particular cause of forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of forfeiture, or for the same cause occurring at any other time.

Sec. 8. **Heirs and successors in interest.**—It is further agreed that each covenant, hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, assigns, or assigns of the respective parties hereto.

Sec. 9. **Public interest.**—It is also further agreed that no Member of the Cabinet, or Delegate to Congress, or Resident Commissioner, after his election or appointment, or either before or after he has accepted of such office, has confirmation in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in the U. S. C. (40) (1), shall be admitted to any share or part in the lease or the proceeds thereof that may arise therefrom; and the provisions of the title of the Revised Statutes of the United States, as amended (41 U. S. C. Sec. 22) and Secs. 431, 432, and 433, Title 18 U. S. Code, relating to contracts, entering into and form a part of this lease, in so far as the same may be applicable.

IN WITNESS WHEREOF:

THE UNITED STATES OF AMERICA

By: Richard J. Henriquez

DEC 13 1956

THE TEXAS COMPANY
By: [Signature]
Attorney-in-Fact

WITNESSES

P. O. Box 1720 (Name and address) Ft. Worth, Texas

P. O. Box 1720 (Name and address) Ft. Worth, Texas

NOTICE

429

This lease is subject to Public Law 555 enacted on July 29, 1954, which amends section 31 of the 1920 Mineral Leasing Act (41 stat. 447; 30 U.S.C. sec. 188) to provide that

" . . . upon the failure of lessee to pay the lease rental on or before the anniversary date of the lease, for any lease on which there is no well capable of producing oil and gas in paying quantities, the lease shall automatically terminate by operation of law; Provided, however, That when the time for payment falls upon any day in which the proper office for payment is not open, payment may be received the next official working day and shall be considered as timely made."

W.H.G.

5

SCHEDULE "B"
RENTALS AND ROYALTIES

Rentals. - To pay the lessor in advance on the first day of the month in which the lease issued and for each lease year thereafter prior to a discovery of oil or gas on the leased lands, a rental of \$1.00 per acre.

Minimum royalty. - To pay the lessor in lieu of rental at the expiration of each lease year after discovery a minimum royalty of \$1.00 per acre or, if there is production, the difference between the actual royalty paid during the year and the prescribed minimum royalty of \$1.00 per acre, provided that on unitized leases, the minimum royalty shall be payable only on the participating acreage.

Royalty on production. - To pay the lessor the following royalty on production removed or sold from the leased lands:

(1) When the average production for the calendar month in barrels per well per day is

not over	50	but not over	60	"	"	"	"	13	"	"
over	60	"	70	"	"	"	"	14	"	"
"	70	"	80	"	"	"	"	15	"	"
"	80	"	90	"	"	"	"	16	"	"
"	90	"	110	"	"	"	"	17	"	"
"	110	"	130	"	"	"	"	18	"	"
"	130	"	150	"	"	"	"	19	"	"
"	150	"	200	"	"	"	"	20	"	"
"	200	"	250	"	"	"	"	21	"	"
"	250	"	300	"	"	"	"	22	"	"
"	300	"	350	"	"	"	"	23	"	"
"	350	"	400	"	"	"	"	24	"	"
"	400	"	"	"	"	"	"	25	"	"

(2) On gas, including inflammable gas, helium, carbon dioxide and all other natural gases and mixtures thereof, and on natural or casinghead gasoline and other liquid products obtained from gas; when the average production of gas per well per day for the calendar month does not exceed 5,000,000 cubic feet, 12 1/2 per cent; and when said production of gas exceeds 5,000,000 cubic feet, 16-2/3 per cent of the amount or value of the gas and liquid products produced, said amount or value of such liquid products to be net after an allowance for the cost of manufacture.

The average production per well per day for oil and for gas shall be determined pursuant to 30 C.F.R., Part 221, Oil and Gas Operating Regulations.

In determining the amount or value of gas and liquid products produced, the amount or value shall be net after an allowance for the cost of manufacture. The allowance for cost of manufacture may exceed two-thirds of the amount or value of any product only on approval by the Secretary of the Interior.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 1 day of _____, A. D. 1957 at _____ o'clock _____ M., and duly recorded in Book 11, Page 427 of the Records of _____ of said county.
By _____ Deputy County Clerk

BEFORE THE COMMISSION
OIL CONS. BY
SANTA FE, NEW MEXICO
Harb EXHIBIT NO. 3
CASE 2432

OPERATING AGREEMENT

THIS Agreement made and entered into this 15th day of February, 1957, by and between TEXACO Inc., a corporation, hereinafter sometimes referred to as "First Party", and LAWRENCE G. EDWARDS of Midland, Texas, hereinafter sometimes referred to as "Second Party".

WHEREAS, First Party is the owner and holder of a certain oil and gas leasehold estate in Eddy County, New Mexico; and

WHEREAS, by an instrument of even date herewith, First Party has designated Second Party as Operator to act in behalf of First Party in complying with the provisions of a certain lease subject to the terms of the Oil and Gas Operating Regulations applicable thereto;

W I T N E S S E T H:

In consideration of the mutual covenants and agreements herein contained and of the sum of One Dollar (\$1.00) and other valuable considerations, all cash in hand paid by Second Party to First Party, it is agreed by and between the parties as follows, to-wit:

1. GRANT OF OPERATING RIGHTS AND WORKING INTEREST: First Party does hereby grant, convey and quitclaim to Second Party without warranty, express or implied, subject to compliance by Second Party with all of the terms and conditions of this agreement, all of their working interest production in the oil and gas and its right to drill and operate for, mine, extract, remove and dispose of same under and by virtue of the following oil and gas lease and any extensions or renewals thereof, together with the right to construct and maintain on the following described land all such works, buildings, plants, waterways, roads, telegraph and telephone lines, pipelines, reservoirs, tanks, pumping stations and other structures as are permitted or authorized by the following described oil and gas lease:

United States Oil and Gas Lease bearing Serial
No. New Mexico 029139, dated January 1, 1957,

insofar as said oil and gas lease covers the following described land in Eddy County, New Mexico, but limited, however, to a depth below the surface of the earth as hereinafter defined in Paragraph 4 hereof:

Township 20 South, Range 29 East, N. M. P. M.

Section 13: NE/4 NW/4 and SW/4 NW/4

which land is hereinafter referred to as "subject acreage".

2. FIRST PARTY'S RESERVATIONS: First Party reserves and retains record title to the oil and gas lease insofar as it covers the lands hereinabove described in Paragraph 1.

3. SECOND PARTY'S COVENANTS: Second Party covenants and agrees as follows:

- (1) On or before 60 days from the date hereof to commence operations for the drilling of a test well at a location in the NE/4 NW/4 of Section 13, T-20-S, R-29-E, N.M.P.M., and drill same with due diligence and in a workmanlike manner to a depth sufficient to test the Seven Rivers Reef formation at a depth of approximately 1,400' below the surface of the earth. In the event Second Party tests the Seven Rivers Reef formation at approximately 1,400' in said well, but is unable to complete said well for production of oil or gas in paying quantities in such formation, Second Party may complete said well

BEFORE ME
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
Sub. Exhibit No. 2432
CASE

87

LEASE OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of February, 1961, by and between TEXACO Inc., a corporation, hereinafter sometimes referred to as "First Party", and LAWRENCE G. EDWARDS of Midland, Texas, hereinafter sometimes referred to as "Second Party".

WHEREAS, First Party is the owner and holder of a certain oil and gas leasehold estate in Eddy County, New Mexico; and

WHEREAS, by an instrument of even date herewith, First Party has designated Second Party as Operator to act in behalf of First Party in complying with the provisions of a certain lease subject to the terms of the Oil and Gas Operating Regulations applicable thereto;

W I T N E S S E T H:

In consideration of the mutual covenants and agreements herein contained and of the sum of One Dollar (\$1.00) and other valuable considerations, all cash in hand paid by Second Party to First Party, it is agreed by and between the parties as follows, to-wit:

1. GRANT OF OPERATING RIGHTS AND WORKING INTEREST: First Party does hereby grant, convey and quitclaim to Second Party without warranty, express or implied, subject to compliance by Second Party with all of the terms and conditions of this agreement, all of their working interest production in the oil and gas and its right to drill and operate for, mine, extract, remove and dispose of same under and by virtue of the following oil and gas lease and any extensions or renewals thereof, together with the right to construct and maintain on the following described land all such works, buildings, plants, waterways, roads, telegraph and telephone lines, pipelines, reservoirs, tanks, pumping stations and other structures as are permitted or authorized by the following described oil and gas lease:

United States Oil and Gas Lease bearing Serial
No. New Mexico 029139, dated January 1, 1957,

insofar as said oil and gas lease covers the following described land in Eddy County, New Mexico, but limited, however, to a depth below the surface of the earth as hereinafter defined in Paragraph 4 hereof:

Township 20 South, Range 29 East, N. M. P. M.

Section 13: NE/4 NW/4 and SW/4 NW/4

which land is hereinafter referred to as "subject acreage".

2. FIRST PARTY'S RESERVATIONS: First Party reserves and retains record title to the oil and gas lease insofar as it covers the lands hereinabove described in Paragraph 1 .

3. SECOND PARTY'S COVENANTS: Second Party covenants and agrees as follows:

- (1) On or before 60 days from the date hereof to commence operations for the drilling of a test well at a location in the NE/4 NW/4 of Section 13, T-20-S, R-29-E, N.M.P.M., and drill same with due diligence and in a workmanlike manner to a depth sufficient to test the Seven Rivers Reef formation at a depth of approximately 1,400' below the surface of the earth. In the event Second Party tests the Seven Rivers Reef formation at approximately 1,400' in said well, but is unable to complete said well for production of oil or gas in paying quantities in such formation, Second Party may complete said well

RECORD FILE
OIL OPERATING REGULATIONS COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT NO. 4
CASE 2432

at a lesser depth if production of oil or gas is found in paying quantities at such lesser depth, but in no event shall Second Party drill said well to a depth greater than, or earn any rights below, the depth of 1,550' below the surface of the earth. Should Second Party fail to commence and drill said test well as herein provided, this agreement shall at the time of such failure ipso facto terminate and be at an end, and any and all rights conveyed to or acquired by Second Party hereunder shall revert to and revest in First Party.

- (2) Until production of oil or gas in paying quantities is obtained from each 40 acre proration unit of subject acreage, Second Party agrees and obligates himself to further develop subject acreage by drilling additional wells thereon in like manner and to a like depth as provided for the well to be drilled under the terms of Paragraph (1) hereof, with not more than 90 days interval between cessation of drilling on one well and commencement of drilling on the next well, the first of such additional wells to be commenced within 90 days after completion of the well to be drilled under the terms of Paragraph (1) hereof. Should Second Party fail to commence and/or complete each of such additional wells in the manner and within the time stipulated, then this agreement shall at the time of such failure ipso facto terminate and be at an end, and any and all rights conveyed to or acquired by Second Party hereunder shall revert to and revest in First Party, except as to each 40 acre proration unit of subject acreage on which Second Party has obtained production in paying quantities, but limited however, to a depth below the surface of the earth down to 50 feet below the total depth of the deepest producing well drilled on each such proration unit, or to the base of the Seven Rivers Reef formation, whichever is shallower.
- (3) In the event Second Party fails in an attempt to obtain production of oil or gas in paying quantities from any well drilled on subject acreage under the terms of this agreement, Second Party shall promptly notify First Party of its intention to plug and abandon said well, whereupon First Party shall have the option for a period of 48 hours after the receipt of such notice within which to elect (and promptly notify Second Party of such election) to take over all operations on said well, so that First Party may, if and when, but only if and when it so desires, deepen, rework, plug back or test said well in any manner in an attempt to obtain production of oil or gas in paying quantities therefrom. If First Party does exercise such option said well and all production, benefits and appurtenances thereto shall thereafter be owned by First Party, and First Party shall thereafter bear all costs, expenses and liabilities accruing thereto, subject to the time First Party has exercised said option to take over said well, but in such event, however, First Party shall pay Second Party for the value of all reasonably salvable casing and equipment (less cost of salvage) placed by Second Party in and on said well. In determining the amount of casing that can be reasonably salvaged, effect shall be given to the size of the hole, size and amount of pipe and the amount and location of the cement, the value to be the fair and reasonable value, but if the

parties hereto cannot agree thereon, then the said value shall be the highest of not less than three (3) bona fide written offers by responsible parties on a salvage basis, the original of which offers are to be submitted to First Party. In the event First Party conducts further operations on such well and/or procures production of oil or gas in paying quantities therefrom, such fact shall not serve in any way as fulfilling or extending any drilling requirement of Second Party under this agreement and in no event shall Second Party have any further interest by virtue of this agreement in the 40 acre tract (the size and dimensions of which shall be designated by First Party), upon which such well is located.

- (4) That this agreement is in all things and at all times subject to the additional terms, conditions and provisions set forth in Exhibit "A" attached hereto and made a part hereof, just as though the same were embodied herein.
- (5) To observe, perform and comply with the terms, provisions, covenants and conditions, express or implied, of the oil and gas lease subject hereto, and all laws, rules, regulations and orders, both State and Federal, applicable to the ownership and enjoyment of the operating rights herein transferred.
- (6) To pay all royalties, overriding royalties, production payments, and other interests or obligations payable out of or measured by oil and gas produced from subject acreage.
- (7) To furnish a general lease bond before commencing drilling operations on the subject acreage if such bond is required and is permitted to be furnished by Second Party.
- (8) To indemnify and save First Party harmless from all claims, debts, demands, liens and liability of whatsoever kind or character, arising out of or resulting from any act or omission of Second Party hereunder.
- (9) To reimburse First Party for any and all rentals paid by it in accordance with the terms of said Lease apportionable to the subject acreage during the time this agreement is in effect.
- (10) In the event Second Party fails to plug any well to the entire satisfaction of First Party, as provided in Paragraph (e) of Section 1 of Exhibit "A" attached hereto, and First Party expends any sum of money in connection with the abandonment of or plugging of any well or the control of water, then Second Party shall on advice of First Party as to the amount thereof, reimburse First Party for any such sum so expended.

4. DEPTH LIMITATION: The parties hereto agree that the rights granted to Second Party under this agreement are limited to the depth of 50 feet below the total depth of the deepest producing well drilled by Second Party on each 40 acre legal subdivision, or to the base of the deepest producing horizon, whichever is the lesser depth, and in no event to exceed the depth of 1,550 feet below the surface of the earth.

5. OVERRIDING ROYALTY: In addition to the royalties, overriding royalties and/or other payments payable to lessor in said lease under the terms thereof, and in addition to the overriding royalties heretofore created and/or retained by assignment, conveyance and/or other agreements, Second Party hereby agrees to pay First Party the following overriding royalties on the oil and gas produced from subject acreage under the terms

of said lease or any extensions, modifications or renewals thereof, or any new lease or leases entered into by Second Party or for the benefit of Second Party within a period of six (6) months from the expiration of the primary term of said lease, which said overriding royalties are hereby reserved and retained by First Party.

(a) 1/16 of all the oil and/or other liquid hydrocarbons produced and saved from subject acreage, or at First Party's option, the value in money of such 1/16 of all the oil and/or other liquid hydrocarbons produced and saved at the current posted price for oil and/or other liquid hydrocarbons of like kind and quality in that vicinity.

(b) 1/16 of all the gas produced from subject acreage, or at First Party's option, the market price in money at the well of 1/16 of all the gas produced and marketed from subject acreage, including natural gasoline and by-products and residue gas, it being understood that if gas is used by Second Party or his assigns in manufacturing gasoline or any by-products, and/or residue gas is sold or used off the subject acreage, 1/16 of the fair market value at the well of such gas, including all components thereof, shall be paid to First Party.

First Party's portion of the oil or gas is to be delivered free of cost to it at the well or mine, or at First Party's option to its credit in the pipe line to which the well or wells may be connected. First Party agrees that the overriding royalty out of production of oil created by this paragraph, which, when added to the overriding royalties or payments out of production of oil previously created, and to the royalty payable to the United States, aggregates in excess of 17.5%, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less, and that such suspension will apply separately to any zone or portion of a lease segregated for computing Government royalty. This suspension of overriding royalty is not applicable to the production of gas.

6. RELEASE AND RELINQUISHMENT OF LEASE: First Party agrees that it will not release, relinquish or surrender the oil and gas lease insofar as it covers the subject acreage, without first giving Second Party thirty (30) days notice of its intention so to do, and that it will assign the lease as to the subject acreage if such assignment is requested by Second Party on or before ten (10) days after receipt of notice of such intention. Such assignment shall cover all zones and formations in and under the subject acreage.

7. FURTHER DEVELOPMENT: In the event Second Party obtains production of oil or gas in paying quantities from subject acreage in compliance with the terms of this agreement, Second Party agrees to further develop subject acreage with due diligence and agrees to promptly drill any and all offset wells which may be necessary thereon under the terms of said lease to protect the leasehold estate thereon from drainage.

8. CONVEYING AND REASSIGNING: Second Party agrees that notwithstanding the automatic reinvesting and vesting of First Party with such rights, titles and interest upon the happening of the events as hereinabove provided, Second Party shall promptly make, execute and deliver to First Party an instrument or instruments duly conveying, granting, releasing and reassigning the record title to First Party, if and when requested by First Party.

9. TERM OF AGREEMENT: This agreement, unless earlier terminated by mutual consent of First and Second Party, shall remain in full force and effect so long as oil or gas is or can be produced in paying quantities from the subject acreage or so long as operations on subject acreage are being prosecuted by Second Party under the terms of this agreement.

10. NON-DISCRIMINATION: In connection with the performance of work under this contract, the contractor agrees not to discriminate against any employee or applicant for employment because of race, religion, color or national origin. The aforementioned provisions shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The contractor further agrees to insert the foregoing provision in all sub-contracts hereunder, except sub-contracts for standard commercial supplies or raw material.

11. NOTICES: Notices to First Party shall be addressed as follows:

TEXACO Inc.
P. O. BOX 3109
MIDLAND, TEXAS

and notices to Second Party shall be addressed as follows:

LAWRENCE G. EDWARDS
P. O. BOX 233
MIDLAND, TEXAS

This agreement shall be binding upon the parties hereto, their legal representatives, successors and/or assigns.

EXECUTED the day and year first above written.

APPROVED AS TO:

Terms *Jmm*
Form *mm*

TEXACO INC.

By *JL Sleeper*
Attorney-in-Fact

FIRST PARTY

Lawrence G. Edwards
Lawrence G. Edwards

SECOND PARTY

RBR-MEM
(177842)

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
16th day of February, 1961, by _____,
Attorney-in-Fact for Texaco Inc., a Delaware Corporation, on behalf of
said corporation.

My Commission Expires:

June 1, 1961

Dorothy J. Perkins
Notary Public

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
3rd day of February, 1961, by Lawrence G. Edwards

My Commission Expires:

6-1-61

[Signature]
Notary Public

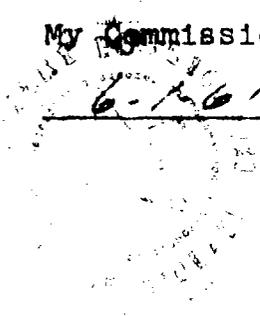


EXHIBIT "A"

Attached to and made a part of that certain Agreement of sublease between Texaco Inc. and

LAWRENCE O. EDWARDS

Dated February 1st, 1961

BEST AVAILABLE COPY

SECTION I.

SECOND PARTY further agrees, without expense to FIRST PARTY, as follows:

- (a) To protect the subleased property from the drainage of oil, gas, and/or other liquid hydrocarbons by reason of a well or wells drilled upon adjacent or nearby lands, **down to the depth subleased.**
- (b) To pay lessors, their heirs or assigns, in accordance with the terms of the basic oil, gas and mineral lease, and any amendments thereto, all royalties which may become due upon or for oil, gas and/or other liquid hydrocarbons produced from the subleased property by SECOND PARTY, or SECOND PARTY'S heirs, successors or assigns.
- (c) To comply with all the terms, provisions, covenants and conditions of said lease and any amendments thereto as to the subleased property, **down to the depth subleased.**
- (d) To drill all wells which may be drilled on the subleased property in a workmanlike manner; at all times to operate such wells and all appurtenances in connection therewith in an efficient and workmanlike manner and in accordance with good field practice in order that such wells will currently produce the best possible yield; currently to produce from such wells and run to the pipe line to which the well or wells may be connected, their maximum output when so efficiently operated, but not to exceed the allowable for such wells according to the current orders, rules and regulations of the regulatory body, or bodies, if any, having jurisdiction governing the drilling and operation of such well or wells.
- (e) To conform to all laws and regulations of the State in which the subleased property is located, and the United States, regarding the drilling or operation of the said wells or the development and operation of the subleased property, and to the rules and regulations of said regulatory body or bodies, if any, governing the location, drilling, operation, abandonment and/or plugging of wells and of the control of water, oil, gas, and/or other liquid hydrocarbons, and to furnish FIRST PARTY written approval of the said regulatory body, or bodies, as to the abandonment of said wells or any of them.
- (f) To save and preserve, and to deliver to FIRST PARTY, currently as obtained, solely for FIRST PARTY, in sacks furnished by FIRST PARTY, a representative sample of each ten feet of formation drilled with rotary equipment, and of the formation drilled during each run of the tools with cable tools, unless otherwise notified by FIRST PARTY'S geologist. SECOND PARTY will write with indelible pencil FIRST PARTY'S name, the lease and well number and the top and bottom depths from which sample is taken on each sack containing sample, and, after properly filling and labeling said sample sacks, SECOND PARTY will preserve same in a secure place until delivered to FIRST PARTY'S representative. SECOND PARTY will procure the required sample sacks and indelible pencil for marking same from FIRST PARTY'S local district office.
- (g) To furnish FIRST PARTY at all reasonable times information as to the progress of said well or wells, and upon completion of said well or wells, to deliver to FIRST PARTY complete logs of same. SECOND PARTY agrees to test, in a manner satisfactory to FIRST PARTY, any and all sands or formations for oil, gas, and/or other liquid hydrocarbons, and to notify FIRST PARTY during the drilling of said wells of any important markers, showings of water, oil, gas, and/or other liquid hydrocarbons, or any other pertinent information in sufficient time for FIRST PARTY to have its representative present to witness any such test, it being the intent of this sublease that FIRST PARTY shall be as fully informed during the drilling of said wells as SECOND PARTY. During the drilling of said wells SECOND PARTY agrees to mail FIRST PARTY daily a drilling report and log of said wells, and when said wells have been completed, SECOND PARTY will furnish FIRST PARTY complete certified logs of same. When requested by FIRST PARTY, SECOND PARTY will make an electrical well survey of each said well prior to running final string of casing or abandoning said well. SECOND PARTY will furnish FIRST PARTY copies of all electrical survey logs promptly after making such survey or surveys.
- (h) To furnish FIRST PARTY copies of all tank tables used by SECOND PARTY in connection with the storing of oil and/or other liquid hydrocarbons produced from the subleased property, copies of pipe line run tickets, and copies of any and all reports required by the said regulatory body, or bodies, having jurisdiction, including, but not limited to copies of monthly producer's report or operator's report of wells producing oil.
- (i) To furnish FIRST PARTY, in connection with any gas sold from the subleased property, a correct copy or photostat of each of the following: Contract covering sale of gas; monthly statement made to SECOND PARTY by Purchaser; periodic test reports made by SECOND PARTY and/or Purchaser of gas to ascertain the gasoline content of the gas; charts and meter readings and copies of any and all reports required by the said regulatory body, or bodies, having jurisdiction, including but not limited to copies of monthly report of wells producing gas.
- (j) Not to assign, either in whole or in part, SECOND PARTY'S interest in the subleased property, or in the oil, gas, and/or other liquid hydrocarbons to be produced therefrom, without the written consent of FIRST PARTY, this restriction to be effective for fifteen (15) years from the date hereof; provided, however, that this restriction shall not in any manner prevent SECOND PARTY from mortgaging or hypothecating (but expressly subject in all respects to this sublease) SECOND PARTY'S aforesaid interest or any part thereof, for the sole purpose of borrowing money to be used exclusively in payment of the costs of developing and operating the subleased property, or for equipment used in connection therewith, but SECOND PARTY shall furnish FIRST PARTY with copy of any deed of trust, mortgage or assignment so executed by SECOND PARTY, and any foreclosure by such lender shall not be a violation of the provisions hereof. Any assignment of the subleased property shall contain a limitation in favor of FIRST PARTY requiring that the written consent of FIRST PARTY must be obtained prior to any further assignment or sublease hereof. No such assignment or assignments, although made with the written consent of the FIRST PARTY, shall subject the subleased property or any portion thereof, to any overriding royalty, payments out of production, net profit obligation, carried interest or any other obligation in addition to those created under the terms of this agreement.
- (k) To hold FIRST PARTY harmless and protect it from any and all claims of whatever kind and character growing out of the use, occupation or operation of the subleased property.
- (l) To subscribe for and carry a sufficient amount of workmen's compensation insurance and employer's liability insurance in a select and responsible company to fully comply with the laws of the State in which the subleased property is located, together with such other insurance as may be required by the laws of such State or as may be agreed upon by the parties hereto, and to furnish proof satisfactory to FIRST PARTY that all such insurance has been taken out and is being maintained.

SECTION II.

Taxes for the current year shall be prorated between FIRST PARTY and SECOND PARTY. FIRST PARTY to be charged with all taxes applicable to the entire interest up to the effective date of this sublease and the full amount of such taxes apportionable to the interest retained and reserved by FIRST PARTY under this sublease for the remainder of the year, SECOND PARTY, to bear the full amount of taxes on the interest acquired by SECOND PARTY hereunder, or which may be acquired by any assignment executed to SECOND PARTY pursuant hereto, for the remainder of the year. SECOND PARTY agrees to promptly reimburse FIRST PARTY for the amount of such taxes so paid by FIRST PARTY applicable to SECOND PARTY'S interest upon presentation of bill therefor accompanied by original tax receipt or photostatic copy thereof. SECOND PARTY agrees, beginning on January 1st of the year next following the current year and thereafter, to seasonably render each year for taxes the interest acquired by SECOND PARTY hereunder, or which may be acquired by any assignment executed to SECOND PARTY pursuant hereto, and to pay before delinquent all taxes accruing or assessed against such interest, and FIRST PARTY agrees to render for and pay taxes on the interest retained and reserved by FIRST PARTY under this sublease, but if for any year the taxes are not segregated by the taxing authorities as between the interest retained and reserved by FIRST PARTY under this sublease and the interest of SECOND PARTY, and either party shall pay the whole amount thereof, then the party so paying shall be proportionately reimbursed by the other party upon presentation of bill therefor accompanied by original tax receipt or photostat thereof covering said payment.

SECTION III.

FIRST PARTY is hereby given the optional right at any time and from time to time for twenty-one (21) years from the date hereof to purchase currently as produced all oil, gas, and/or other liquid hydrocarbons produced and saved from the subleased property except any used for operating purposes thereon. The price or prices to be paid by FIRST PARTY to SECOND PARTY shall be as follows, to-wit:

- (a) For such oil and/or other liquid hydrocarbons, as it may elect to purchase hereunder, the posted market price of FIRST PARTY or if FIRST PARTY has no posted price, the average posted price of other companies; at the wells currently prevailing in the field where produced for substances of like kind, grade and having the same or nearest to the same gravity at the time of run to the pipeline; provided, however, if neither FIRST PARTY nor any other company has a posted price, then the price to be paid by FIRST PARTY shall be the average price being paid by the purchasing companies buying said substances in the field where the subleased property is located, for substances of like kind, grade and having the same or nearest to the same gravity.
- (b) For gas, the current market price of the same at the well or wells.

FIRST PARTY'S election to purchase said oil, gas, and/or other liquid hydrocarbons shall be given to SECOND PARTY in writing at least thirty (30) days prior to the time when purchases shall begin; and purchases by FIRST PARTY pursuant to such election shall continue until such date as may be specified by written notice from FIRST PARTY to SECOND PARTY, given at least thirty (30) days in advance, specifying a date for discontinuance of such purchases. The option hereinabove given is entirely separate as to oil, gas, and other liquid hydrocarbons, that is to say, FIRST PARTY may purchase the oil, the gas, or any other liquid hydrocarbons, or any one or more of them, without purchasing the remaining products, and said option may be exercised as to any of the products from time to time.

SECTION IV.

Failure to drill the well or wells which may be specifically set forth in this sublease shall ipso facto terminate this sublease to the extent and in the manner as in this sublease provided. A breach of any other term or condition of this sublease shall give FIRST PARTY the right to terminate, cancel and/or forfeit provided, however, that in the event of any such termination, cancellation and/or forfeiture, SECOND PARTY shall retain, subject to the applicable obligations and provisions of this sublease, each producing well and ten acres around it to be selected by SECOND PARTY in as near the form of a square as is practicable with the well in the center thereof, but before terminating, cancelling and/or forfeiting, FIRST PARTY shall give SECOND PARTY notice of the particular breach of which FIRST PARTY complains, and SECOND PARTY shall have thirty (30) days thereafter within which to comply with said obligation and thereby prevent a termination, cancellation and/or forfeiture. Upon such termination, cancellation and/or forfeiture, SECOND PARTY shall immediately execute, acknowledge and deliver to FIRST PARTY an instrument in proper form surrendering and assigning to FIRST PARTY the subleased property, save and except such well and ten acres retained by SECOND PARTY. In the event field rules of the said regulatory body, or bodies, have been adopted, or are hereafter adopted, which provide for a proration, drilling, or production unit of designated size and shape, then the tract to be selected and retained by SECOND PARTY in the event of such forfeiture, as in this section provided, instead of ten acres, shall be, so far as possible, the maximum number of acres and of such dimension as may be stipulated in the rules in effect at the time such forfeiture occurs.

SECTION V.

FIRST PARTY is hereby given the optional right to purchase at salvage value, as hereinafter defined, any producing well located on the subleased property at any time SECOND PARTY desires to plug or abandon same. SECOND PARTY shall give FIRST PARTY written notice of such intention to plug or abandon same, accompanied by statement showing quantity, weight and size of casing, tubing, rods and other equipment in the hole, as well as surface equipment, including derrick, standard rig, engines, tanks, flow lines, etc., pertaining thereto, and the salvage value thereof. Thereafter, FIRST PARTY shall have twenty (20) days within which to advise SECOND PARTY in writing whether or not it elects to purchase said well (including ten acres around it to be selected by SECOND PARTY in as near the form of a square as is practicable with the well in the center thereof, and if so, what equipment, if any, it desires to purchase in addition to the casing in the hole, whereupon SECOND PARTY shall promptly execute, acknowledge, and deliver to FIRST PARTY an instrument in proper form surrendering and assigning to FIRST PARTY the subleased property as to the ten acre tract on which the well is located, as well as itemized bill of sale covering the equipment in the hole, together with the surface equipment, if any, which FIRST PARTY elects to purchase (all of which must be owned by SECOND PARTY and free and clear of any encumbrance), FIRST PARTY paying to SECOND PARTY the salvage value thereof. In the event field rules of the said regulatory body, or bodies, have been adopted, or are hereafter adopted, which provide for a proration, drilling, or production unit of designated size and shape, then the tract to be selected, surrendered and assigned by SECOND PARTY to FIRST PARTY, in the event FIRST PARTY elects to purchase said well as in this section provided, instead of ten acres, shall be, so far as possible, the maximum number of acres and of such dimension as may be stipulated in the field rules in effect at the time such option is exercised. Should such well be the last or only producing well located on the subleased property, then such surrender and assignment shall cover all of the subleased property then held under the sublease, instead of, as the case may be, only ten acres or the proration, drilling, or production unit. Salvage value is herein defined as being the highest of not less than three bona fide written offers by responsible parties on a salvage basis for the equipment in and pertaining to such well. SECOND PARTY agrees to submit to FIRST PARTY the originals of all of such bids along with the written notice of such intention to plug or abandon any such well or wells. SECOND PARTY hereby agrees, and all persons are hereby given notice, that should any of said subleased property at any time or from time to time be reassigned to or be reinvested in FIRST PARTY in accordance with this agreement, it shall be free and clear of any overriding royalty, payment out of production, net profit obligation or carried interest or any other obligation to which it may have been subjected by SECOND PARTY, his heirs, legal representatives or assigns, it being understood that any such overriding royalty, payment out of production, net profit obligation or carried interest or any other obligation shall cease and terminate and be of no further force and effect as to such part of the subleased property if and when it is so reassigned to or reinvested in FIRST PARTY, notwithstanding FIRST PARTY may have expressly or impliedly consented to the assignment or the instrument in which such overriding royalty, payment out of production, net profit obligation or carried interest or any other obligation was reserved or created.

SECTION VI.

Upon complying with all the terms, provisions, covenants and conditions of said lease and any amendments thereto as to the subleased property, and of this sublease, SECOND PARTY may surrender the subleased property in whole or in part in the manner herein provided, and thereby be relieved as to the part surrendered from future obligations of any kind whatsoever to FIRST PARTY. In the event SECOND PARTY elects to surrender this sublease in whole or in part, the following provisions shall govern:

SECOND PARTY shall give FIRST PARTY not less than thirty (30) days' written notice of SECOND PARTY'S intention to surrender the subleased property in whole or in part prior to the next ensuing rental paying date, or date upon which drilling is required under the terms of said lease, and any amendments thereof. FIRST PARTY shall then notify SECOND PARTY in writing within ten (10) days of its receipt of such notice of its intention to accept or reject such surrender, and, if FIRST PARTY should fail to so notify SECOND PARTY or should reject such surrender, SECOND PARTY may immediately surrender the subleased property or the part thereof as to which SECOND PARTY has given such notice of intention to surrender, direct to the lessor. In the event FIRST PARTY so elects to accept such surrender, SECOND PARTY shall promptly execute, acknowledge, and deliver to FIRST PARTY an instrument of surrender and assignment in proper form. Subject to the optional right to purchase given to FIRST PARTY under Section V hereof, SECOND PARTY shall have, so far as FIRST PARTY is concerned, a reasonable time after surrender for the removal from the subleased property or the part thereof surrendered to FIRST PARTY of any and all movable property placed thereon by SECOND PARTY under the terms of this sublease.

SECTION VII.

To insure the faithful performance by SECOND PARTY of this sublease and each and every term and provision hereof, FIRST PARTY is hereby given a first and prior lien upon any and all tools, machinery, appliances, and appurtenances of every kind and character whatsoever owned and used by SECOND PARTY in producing any well or wells hereunder, or in the operation of the same, and upon SECOND PARTY'S portion of any and all oil, gas, and/or other liquid hydrocarbons that may be produced from such well or wells; provided, however, that such lien shall be inferior and subordinate to any deed of trust or lien executed by SECOND PARTY mortgaging or hypothecating SECOND PARTY'S interest, or any part thereof, in said property as provided in Paragraph (j) of Section I of this Exhibit "A"; and provided, further, in case of any sale by SECOND PARTY to a third person of SECOND PARTY'S portion of such oil, gas, and/or other liquid hydrocarbons, if and while FIRST PARTY does not purchase same pursuant to Section III, then such third person shall be entitled to assume that SECOND PARTY has not breached the terms of this sublease unless and until FIRST PARTY notifies such third person, in writing, of such a breach and deliveries of said products to said third person prior to such notice shall be free of FIRST PARTY'S lien. The SECOND PARTY shall notify FIRST PARTY, in writing, promptly the names and addresses of all such third persons to whom it sells or agrees to sell such products.

FOR IDENTIFICATION: TEXACO INC.

By J. L. Sleeper, Jr. Attorney-in-Fact
FIRST PARTY

Lawrence G. Edwards
BEST AVAILABLE COPY
Lawrence G. Edwards

AFTER RECORDING RETURN TO:
CURRIER ABSTRACT COMPANY
P. O. BOX 660
ARTESIA, NEW MEXICO

SECOND PARTY

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 5 day of July, 1961 at 11:45 A.M. and duly recorded in Book 119, page 87, of the Records of Eddy County, New Mexico.
Mildred Pace, County Clerk
V. S. Mahaffey

CONSENT AGREEMENT

BEST AVAILABLE COPY

STATE OF NEW MEXICO
COUNTY OF EDDY

WHEREAS, by Agreement dated February 1, 1961, recorded in Volume 119, Page 87, Oil & Gas Records EDDY County, New Mexico, Texaco Inc. formerly named The Texas Company/a corporation of Delaware, subleased unto Lawrence G. Edwards the following described land situated in Eddy County, New Mexico, to-wit:

Township 20 South, Range 29 East, N.M.P.M.
Section 13: Northeast Quarter of the Northwest Quarter (NE/4 NW/4) and the Southwest Quarter of the Northwest Quarter (SW/4 NW/4), but limited to the depth as is set out in Paragraph 4 of said agreement, and

hereinafter referred to as "assigned property", reference to which agreement and the record thereof is herein made for all purposes; and

WHEREAS, it is the desire of Lawrence G. Edwards and his wife, Evelyn L. Edwards, to assign by an Assignment dated the 20th day of March, 1961, and recorded in Vol. 119 at Page 92 of the Oil & Gas Records of Eddy County, New Mexico, an undivided 95 per cent interest in their contractual rights under the said Agreement of February 1, 1961, unto Paul E. Haskins.

NOW THEREFORE, for and in consideration of the premises the said Texaco Inc. does hereby consent and agree to such assignment, and Lawrence G. Edwards, Evelyn L. Edwards and Paul E. Haskins do hereby agree that such assignment was made in compliance with the terms of said Agreement dated February 1, 1961, and the Exhibit "A" attached thereto, and do specifically agree that such assignment does not contain any overriding royalty, payments out of production, net profit obligation, carried interest or any other obligation in addition to those created under the terms of the said Agreement of February 1, 1961.

The consideration for this agreement by the said Texaco Inc. and the consent upon which it is given is that the said Lawrence G. Edwards, Evelyn L. Edwards and Paul E. Haskins hereby bind and obligate themselves to be bound and governed by all the terms, conditions, stipulations and agreements in said Agreement dated February 1, 1961, and obligate themselves to perform and carry out the terms and obligations thereof, and specifically agree that they will not assign their rights therein in whole or in part without the written consent of the said Texaco Inc. first being obtained.

As a further consideration for this agreement and the consent upon which it is given and all persons are hereby given notice, that should any of said assigned property at any time or from time to time be reassigned to or revested in Texaco Inc., said property shall be free and clear of any overriding royalty, payments out of production, net profit obligation or carried interests or any other obligation to which it may have been subjected by either Lawrence G. Edwards, Evelyn L. Edwards or Paul E. Haskins, their successors, assigns or legal representatives, it being understood that any such overriding royalty, payment out of production, net profit obligation or carried interest or any other obligation shall cease and terminate and be of no further force and effect as to such

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SERIALIZED FILED
FEB 12 1961
FBI - ALBUQUERQUE
EXHIBIT No. 5
CASE 2432

part of the assigned property, if and when it is so reassigned or revested in Texaco Inc., notwithstanding such party may have consented to the assignment or instrument in which such overriding royalty, payment out of production, net profit obligation or carried interest or any other obligation was reserved or created.

EXECUTED in triplicate this 28th day of February, 1961.

Approved as to

TEXACO Inc.

Terms Jms

Form ms

By J. L. Sleeper Jr
Attorney-in-Fact

Lawrence G. Edwards
Lawrence G. Edwards

Evelyn L. Edwards
Evelyn L. Edwards

Paul E. Haskins
Paul E. Haskins

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 28th day of March, 1961, by J. L. Sleeper Jr Attorney-in-Fact for TEXACO Inc., a Delaware Corporation, on behalf of said corporation.

Monrothy Langford
Notary Public in and for
Midland County, Texas

My Commission Expires:
June 1, 1961

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 28th day of March, 1961, by Lawrence G. Edwards and wife, Evelyn L. Edwards.

Maika Charles
Notary Public in and for
Midland County, Texas

My Commission Expires:
June 1, 1961

BEST AVAILABLE COPY

BEST AVAILABLE COPY

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 29th day of March, 1961, by Paul E. Haskins.

Martha Charles
Notary Public in and for
Midland County, Texas

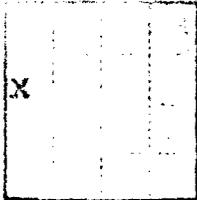


My Commission Expires:
June 1, 1961

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that the instrument was filed for record on the 5 day of July, 1961 at 11:45 o'clock AM and duly recorded in Book 119, page 97, of the Records of Oil & Gas

Mildred Pare, County Clerk
By V. L. Mahaffey Deputy

RBR:lg
177842



(SUBMIT IN TRIPLICATE)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Land Office **Texas**
Lease No. **029139**
Unit

SUNDRY NOTICES AND REPORTS ON WELLS

NOTICE OF INTENTION TO DRILL	<input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF WATER SHUT-OFF
NOTICE OF INTENTION TO CHANGE PLANS		SUBSEQUENT REPORT OF SHOOTING OR ACIDIZING
NOTICE OF INTENTION TO TEST WATER SHUT-OFF		SUBSEQUENT REPORT OF ALTERING CASING
NOTICE OF INTENTION TO RE-DRILL OR REPAIR WELL		SUBSEQUENT REPORT OF RE-DRILLING OR REPAIR
NOTICE OF INTENTION TO SHOOT OR ACIDIZE		SUBSEQUENT REPORT OF ABANDONMENT
NOTICE OF INTENTION TO PULL OR ALTER CASING		SUPPLEMENTARY WELL HISTORY
NOTICE OF INTENTION TO ABANDON WELL		

(INDICATE ABOVE BY CHECK MARK NATURE OF REPORT, NOTICE, OR OTHER DATA)

June 2, 1961

Tenneco-Federal
Well No. **2** is located **1650** ft. from **N** line and **990** ft. from **W** line of sec. **13**

SW/4 of NW/4, Sec. 13 **20S** **29E** **N14W**
(1/4 Sec. and 1/4 Sec. No.) (Twp.) (Range) (Meridian)
Wilcox **Eddy** **New Mexico**
(Field) (County or Subdivision) (State or Territory)

The elevation of the derrick floor above sea level is **3320** est. ft.

DETAILS OF WORK

(State names of and expected depths to objective sands; show sizes, weights, and lengths of proposed casings; indicate mudding jobs, cementing points, and all other important proposed work)

Drill 12" hole to top of salt (approximately 325')
Set 8-5/8" casing with sufficient cement to circulate.
Drill 7-3/4" hole to 100' below base of salt and set 7" casing with 25 sacks.
If pay encountered, cut and pull 7" casing, run 6-1/2" casing to TD.
Cement with sufficient cement to circulate to surface.
Southwestern, Inc., will be the contractor with cable tools.
Will abide by rule R-1-11A.

I understand that this plan of work must receive approval in writing by the Geological Survey before operations may be commenced.

Company **Paul E. Haskins**

Address **201 First National Bank Bldg.**

Midland, Texas

By

Title **Paul E. Haskins, Owner**

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ILLEGIBLE

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
P. O. Box 1251, Santa Fe, New Mexico
POTASSIUM PROSPECTING PERMIT

PC.H.
4/ No-1

BEST AVAILABLE COPY

Office **New Mexico**

Serial No. **NM 0121810**

The Bureau of Land Management, pursuant to the act of February 7, 1927 (44 Stat. 1057, 30 U.S.C. 281, et seq.), as amended, hereby grants to

Potash Company of America
P. O. Box 31
Carlsbad, New Mexico

the exclusive right for a period of two years from date hereof to prospect for chlorides, sulphates, carbonates, borates, silicates, or nitrates of potassium on the following described lands in the State of **New Mexico**

T. 20 S., R. 29 E., N. Mex. Prin. Mer., New Mexico
Sec. 11: All
Sec. 12: SW $\frac{1}{4}$
Sec. 13: NW $\frac{1}{4}$

Containing 960 acres.

but for no other purpose, upon the following express conditions:

Sec. 1. Prospecting.

- (a) Permittee shall prospect the land in accordance with the following plan:
By core drilling at least one test well during the initial term of the permit to such minimum depth as the Regional Mining Supervisor shall specify at the time his approval of prospecting methods and procedure thereunder is sought.
- (b) Permittee shall notify the Regional Mining Supervisor of the Geological Survey prior to the commencement of prospecting work.

Sec. 2. Removal of deposits.

Permittee shall remove only such deposits as may be necessary to experimental work or to establish the existence of potassium deposits in commercial quantities.

Sec. 3. Royalties.

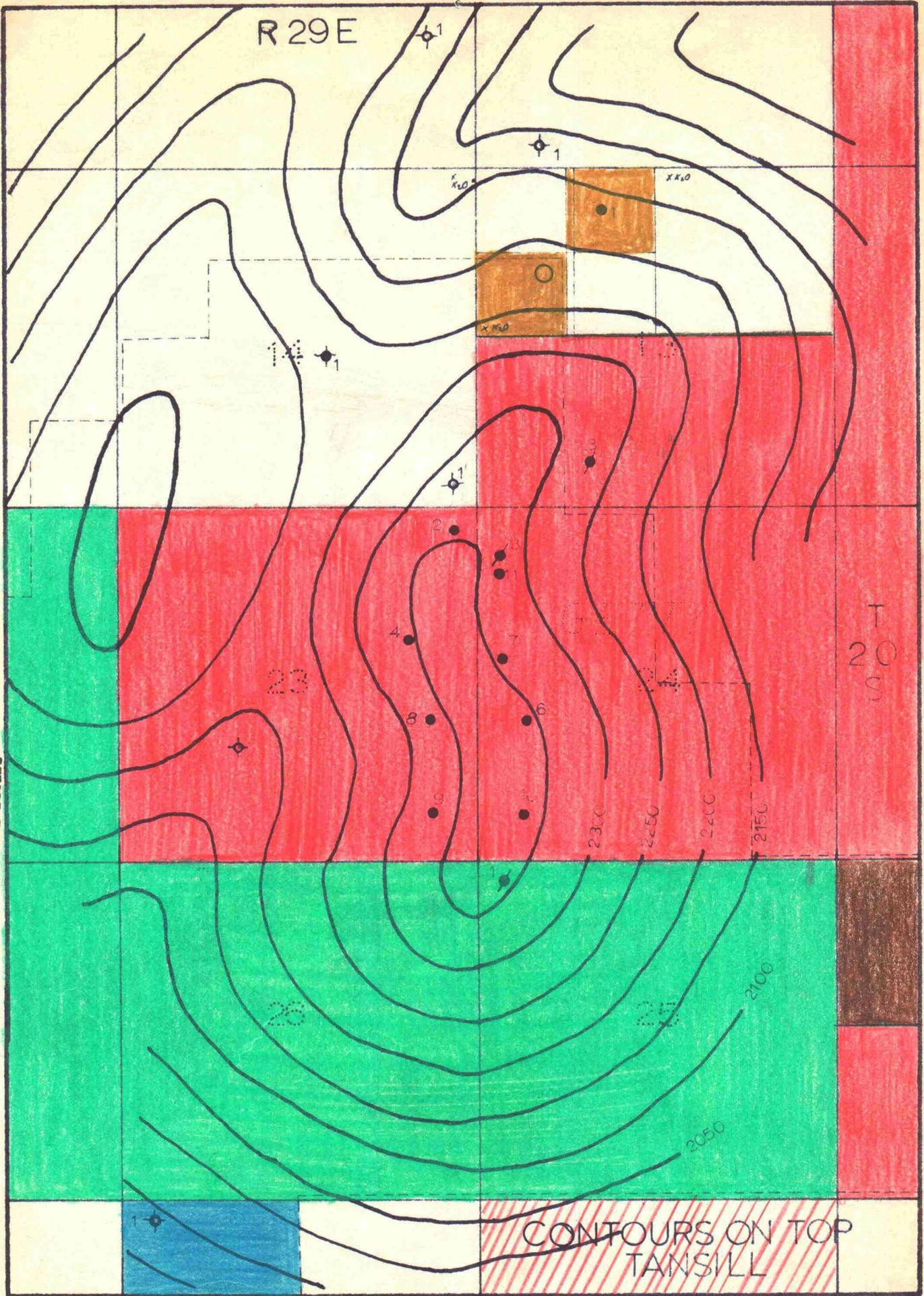
- (a) **Rate.** 12½% of the gross value of all potassium compounds and related products at the point of shipment to market
- (b) **Time of payment.** Not later than the end of the calendar month succeeding that during which the deposits were disposed of.
- (c) **Manner and place of payment.** To the order of the Bureau of Land Management and tendered to the manager of the land office for the district in which the lands are situated, or, if the lands are situated in States in which there is no land office, to the Bureau of Land Management, Washington 25, D. C.
- (d) **Royalties during pendency of lease application under Sec. 6 hereof.** 12½% of deposits mined and disposed of during pendency of the lease application, subject to credit in the event a lease issues at a lower rate; in the event of rejection of lease application the royalty shall be 12½%.

Sec. 4. Operating regulations.

Permittee shall comply with the provisions of the operating regulations of the Geological Survey (30 CFR Part 231), and with all reasonable orders issued pursuant thereto. Copies may be obtained from the Regional Mining Supervisor.

Sec. 5. Extension of this permit.

- (a) This permit is subject to a single two-year extension upon approval of the Manager of the Land Office and upon the showings and conditions prescribed in 43 CFR 194.11.



R 29 E

T 20 S

CONTOURS ON TOP TANSILL

BEFORE THE
 OIL CONSERVATION COMMISSION
 SANTA FE, NEW MEXICO
David
 EXHIBIT No. *8*
 ONSE 2482

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- (b) Application for extension of this permit should be filed with the Manager of the appropriate Land Office within the period beginning 90 days prior to the date of expiration of this permit.

Sec. 6. Reward for discovery.

- (a) Permittee is entitled to a preference right lease if he shall have discovered valuable deposits of potassium within the permit area, and within the period of this permit as issued, or as extended. The showings required to be made in a lease application are set forth in 43 CFR 194.13. For limitations on acreage holdings see CFR 194.3.
- (b) Application for a preference right lease must be filed with the Manager of the appropriate Land Office not later than 30 days after the permit (or the extended permit) expires.

Sec. 7. Non-discrimination.

In connection with the performance of work under this permit, the permittee agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The permittee agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause. The permittee further agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

Sec. 8. Surface use restrictions.

- (a) Permittee shall conduct operations in such a way as not to interfere with the administration and use of the lands to a greater extent than may be determined by the Manager to be necessary for the most beneficial use of the lands in case any thereof are embraced in a forest, reclamation, power, or other withdrawal or are segregated for any particular purpose.
- (b) Permittee shall take such reasonable steps as may be needed to prevent operations from unnecessarily: (1) causing or contributing to soil erosion or damaging any forage and timber growth, (2) polluting the waters of spring, streams, wells, or reservoirs, (3) damaging crops, including forage, timber or improvements of a surface owner or (4) damaging range improvements whether owned by the United States or by its grazing permittees or lessees.
- (c) Upon any partial or total relinquishment or the cancellation or expiration of this permit, or at any other time prior thereto when required or when deemed necessary by the Government, permittee shall fill any sump holes, ditches and other excavations, remove or cover all debris, and, so far as reasonably possible, restore the surface to its former condition, including the removal of structures as and if required. The Government may prescribe the steps to be taken and restoration to be made with respect to lands of the United States and improvements thereon.

Sec. 9. Assignments.

This permit, or any interest therein, may not be assigned or transferred without the approval of the Manager, whether by direct assignment, operating agreement, sublease, transfer of royalty interests, or otherwise. The rules on assignments and transfers, and the limitations against creation of overriding royalty interests, are set forth in 43 CFR 194.24 and 194.25. All instruments of assignment or transfer must be filed in duplicate with the Manager within 90 days from date of execution.

Nov. 1, 1960

Date

Howard M. Luttinger

Signing Officer

Chief, Mineral Administration Section

Title

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MINERAL PRODUCTION & ROYALTY STATEMENT
NEW MEXICO STATE LAND OFFICE

MONTH OF May 1961 LEASE NO. M-13947 ASSIGNMENT NO. _____
 LESSOR Int'l. Min. & Chem. Corp. ADDRESS P.O. Box 71, Carlsbad, New Mexico
 PRODUCED BY Int'l. Min. & Chem. Corp. ADDRESS P.O. Box 71, Carlsbad, New Mexico

The entire production from this lease is given below. Omission of Data means none.
 NOTE: Instructions are on reverse side of this sheet.

BENEFICIARY INSTITUTION	SUBDIVISION FROM WHICH REMOVED	SEC.	TWP.	RGE.	MINERAL OR PRODUCT REMOVED	BEGINNING STOCK (ON HAND)	PRODUCTION THIS MONTH	DISPOSED OF THIS MONTH	GROSS RECEIPTS IN DOLLARS	TRANSPORTATION COST TO MILL OR MARKET	COST OF MILLING (IF ANY)	NET VALUE	PERCENT ROYALTY PAID	TOTAL TO BE PAID
		16	22 S	29 E	KCl		541,868 K20 units	541,868 K20 units	\$95,639.70	\$16,165.50		\$79,474.20	5%	\$3,973.71
<u>SALT SALES</u>														
<u>TONS OF SALT SALES</u>					<u>VALUE OF SALT</u>		<u>PERCENT ROYALTY</u>			<u>TOTAL TO BE PAID</u>				
287,01					\$430.52		5%			\$21.53				

Remarks: Productions Mined 64,662 tons of ore at average K20 grade 8.33 equal to 541,868 K20 units @ \$.1765 per unit. Transportation allowance calculated on 64,662 tons @ \$.25 per ton

NAME _____
 TITLE Accounting Manager

STATE OF NEW MEXICO)
 COUNTY OF ddy) ss.

R. P. [Signature], after being duly sworn, on my oath state that the matters and things herein set forth in the above Production and Royalty Statement and attached schedules, if any, are a true and correct statement of production upon the above described leases for the period stated.

Subscribed and sworn to before me this 7th day of June 1961

In witness whereof I hereunto set my hand and attached my seal this day and year above written.

My Commission Expires _____
 Notary Public

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MINERAL PRODUCTION & ROYALTY STATEMENT
NEW MEXICO STATE LAND OFFICE

MONTH OF July 195 61 LEASE NO. M-13947 ASSIGNMENT NO. _____
LESSEE Int'l. Min. & Chem. Corp. ADDRESS P. O. Box 71, Carlsbad, New Mexico
PRODUCED BY Int'l. Min. & Chem. Corp. ADDRESS P. O. Box 71, Carlsbad, New Mexico

The entire production from this lease is given below. Omission of Data means none.

NOTE: Instructions are on reverse side of this sheet.

BENEFICIARY INSTITUTION	SUBDIVISION FROM WHICH REMOVED	SEC.	TWP.	RGE.	MINERAL OR PRODUCT REMOVED	BEGINNING STOCK (ON HAND)	PRODUCTION THIS MONTH	DEPOSED OF THIS MONTH	GROSS RECEIPTS IN DOLLARS	TRANSPORTATION COST TO MILL OR MARKET	COST OF MILLING (IF ANY)	NET VALUE	PERCENT ROYALTY PAID	TOTAL TO BE PAID
		16	22 S	29 E	KO1		586,205 K20 Units	586,205 K20 Units	\$103,465.18	\$15,521.50		\$87,940.68	5%	\$4,397.03

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SALT SALES

<u>TONS OF SALT SALES</u>	<u>VALUE OF SALT</u>	<u>PERCENT ROYALTY</u>	<u>TOTAL TO BE PAID</u>
261.18	\$391.77	5%	\$19.59

Explanation: Mined 62,098 tons of ore at average K20 grade 9.44 equal to 586,205 K20 units @ \$.1765 per unit. Transportation allowance calculated on 62,098 tons @ \$.25 per ton.

NAME _____ TITLE Accounting Manager

STATE OF NEW MEXICO)
COUNTY OF Eddy) ss.

W. P. Sensibaugh after being duly sworn, on my oath state that the matters and things herein stated in the Production and Royalty Statement and attached schedules, if any, are a true and correct statement of the production upon the production for the period stated.

Witness my hand and seal this 4th day of August 195 61

Notary Public set my hand and attached my seal this the day and year above written

COMMISSION EXPIRES AUG. 1, 1962
Notary Public

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MINERAL PRODUCTION & ROYALTY STATEMENT
NEW MEXICO STATE LAND OFFICE

MONTH OF June 195 61 LEASE NO. M-13947 ASSIGNMENT NO. _____
 BY Int'l. Min. & Chem. Corp. ADDRESS P. O. Box 71, Carlsbad, New Mexico
 PRODUCED BY Int'l. Min. & Chem. Corp. ADDRESS P. O. Box 71, Carlsbad, New Mexico

The entire production from this lease is given below. Omission of data means none.

NOTE: Instructions are on reverse side of this sheet.

BENEFICIARY INSTITUTION	SUBDIVISION FROM WHICH REMOVED	SEC.	TWP.	RGE.	MINERAL OR PRODUCT REMOVED	BEGINNING STOCK (ON HAND)	PRODUCTION THIS MONTH	DISPOSED OF THIS MONTH	GROSS RECEIPTS IN DOLLARS	TRANSPORTATION COST TO MILL OR MARKET	COST OF MILLING (IF ANY)	NET VALUE	PERCENT ROYALTY PAID	TOTAL TO BE PAID
		16	22 S	29 E	KCl		748,071 K20 Units	748,071 K20 Units	\$132,034.53	16,550.25		115,484.28	5%	\$5,774.21
<u>SALT SALES</u>														
<u>TONS OF SALT SALES</u>					<u>VALUE OF SALT</u>			<u>PERCENT ROYALTY</u>			<u>TOTAL TO BE PAID</u>			
306.95					\$460.43			5%			\$23.02			

TOTAL
 Remarks or explanations: Mined 66,201 tons of ore at average K20 grade 11.30 equal to 748,071 K20 Units @ \$.1765 per unit. Transportation allowance calculated on 66,201 tons @ \$.25 per ton.

NAME _____
 TITLE Accounting Manager

CITY OF NEW MEXICO
 COUNTY OF Birdy

I, Robert H. Smith, after being duly sworn, do hereby state that the matters and things herein stated in the above Production and Royalty Statement and attached schedules, if any, are a true and correct statement of production upon the above leases for the period stated.

Witness my hand and seal this 7th day of July 19561

Notary Public

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INTERNATIONAL MINERALS & CHEMICAL CORPORATION
MINING ON STATE SECTION 16, TOWNSHIP 22 S., RANGE 29 E.,
EDDY COUNTY, NEW MEXICO

MAY, JUNE and JULY, 1961

From Royalty Settlement Sheet

<u>Period</u>	<u>Tons Mined</u>	<u>Grade (%K₂O)</u>
May, 1961	64,662	8.38
June, 1961	66,201	11.30
July, 1961	<u>62,098</u>	<u>9.44</u>
Total	192,961 Tons	Av. Grade 9.72% K ₂ O

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
P.C.H. EXHIBIT No. 9
CASE 2432

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AND IS LOCATED
IN THE NEXT FILE

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