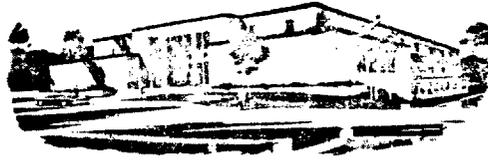
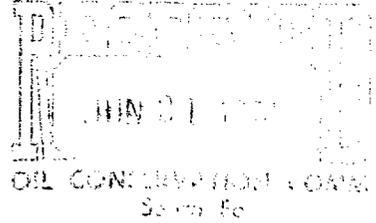


5725

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

June 19, 1974

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

REGISTERED MAIL

Roberts, Kock, & Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: Deer Canyon Unit Agreement
TERMINATION
Eddy County, New Mexico

ATTENTION: Mr. Charles E. Kock

Gentlemen:

This is to officially notify you that the Deer Canyon Unit Agreement has been terminated by the Commissioner of Public Lands, effective as of May 29, 1974, which is the date your second test well was to be commenced.

Please notify all interested parties of this action.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

cc: USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico

Unit Name DEER CANYON UNIT (EXPLORATORY)
 Operator ROBERTS, KOCK & CARTWRIGHT
 County EDDY

002

DATE	OCC CASE NO.	5065	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
<u>APPROVED</u>	<u>OCC ORDER NO.</u>	<u>R-4634</u>							
<u>Commissioner</u>	<u>9-24-73</u>		<u>9-25-73</u>	<u>10,620.45</u>	<u>1,529.20</u>	<u>9,091.75</u>	<u>-0-</u>	<u>Yes</u>	<u>5yrs.</u>

(Tract 1, Federal not committed)

UNIT AREA

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM

Sections 1 through 4: A11
 Sections 9 through 16: A11
 Sections 21 through 24: A11

TERMINATED
 5-29-74

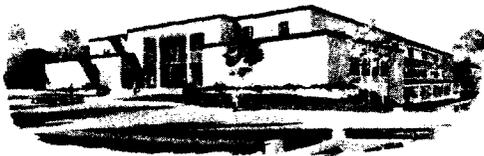
Unit Name DEER CANYON UNIT (EXPLORATORY)
 Operator ROBERTS, KOCK & CARTWRIGHT
 County EDDY

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LE
15	L-6522	C.S.	2	20S	21E	A11	9-13-73	729.20		Aztec Oil
16	LG-176	C.S.	9	20S	21E	S/2NW/4 SW/4NE/4	8-30-73	160.00		Cities Ser
17	L-6369	C.S.	16	20S	21E	A11	8-24-73	640.00		Union Oil California

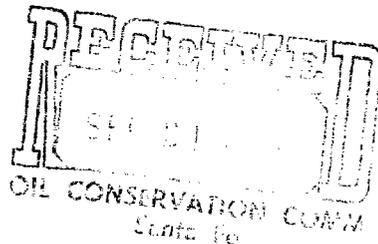
TERMINATED
 5-29-74
 EKH

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands
September 18, 1973



ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Roberts, Koch & Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: DEER CANYON UNIT
EDDY COUNTY, NEW MEXICO

ATTENTION: Mr. Charles E. Koch

Gentlemen:

The Commissioner of Public Lands has this date approved your Deer Canyon Unit, Eddy County, New Mexico, subject to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Approval.

This approval is being given with the understanding that Tract one (1), Federal, is not being committed to the unit.

Please advise this office when the United States Geological Survey has approved this unit so that we may finish processing the unit and ascertain the effective date.

Very truly yours,

RAY D. GRANAM, Director
Oil and Gas Department

RDG/S
encl.
cc:

USGS-Roswell, New Mexico
OCC-Santa Fe, New Mexico

Unit Name DEER CANYON UNIT (EXPLORATORY)
Operator ROBERTS, KOCK & CARTWRIGHT
County EDDY

County EDDY

DATE	OCC CASE NO.	5065	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE
APPROVED	OCC ORDER NO.	R-4634						
Commissioner	9-24-73		9-25-73	10,620.45	1,529.20	9,091.75	-0-	Yes
9-18-73								

(Tract 1, Federal not committed)

UNIT AREA

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM

Sections 1 through 4: All
Sections 9 through 16: All
Sections 21 through 24: All

ccc

Unit Name
Operator
County

DEER CANYON UNIT (EXPLORATORY)
ROBERTS, KOCK & CARTWRIGHT
EDDY

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES
15	L-6522	C.S.	2	20S	21E	A11	9-13-73	729.20
16	LG-176	C.S.	9	20S	21E	S/2NW/4	8-30-73	160.00
			15	20S	21E	SW/4NE/4		
17	L-6369	C.S.	16	20S	21E	A11	8-24-73	640.00



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73102

August 27, 1973

Roberts, Koch and Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: Deer Canyon Unit
Eddy County, New Mexico

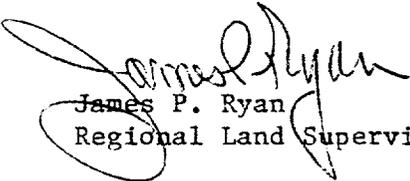
Gentlemen:

Kerr-McGee Corporation does not choose to participate in the Deer Creek Unit which you are in the process of forming. We do not believe that our disinclination to participate will lessen your chances of obtaining unit approval by the U. S. Geological Survey.

We will be supporting your unit well with a dry hole contribution and we wish you success in this venture.

Very truly yours,

KERR-McGEE CORPORATION


James P. Ryan
Regional Land Supervisor

JPR:cb

August 1, 1973

Petroleum, Inc.
500 Colorado State Bank Building
Denver, Colorado 80202

Gentlemen:

Reference is made to your letter agreement of March 27, 1973, to Roberts, Koch & Cartwright pertaining to lands in Sections 1, 3, 4 and 10, Township 20 South, Range 21 East, Eddy County, New Mexico. It is the purpose of this letter to conditionally accept such agreement, subject to modifications as follows:

1. Paragraph 1 is amended to state as follows:

"1. Farmee must commence or cause to be commenced actual drilling of a test well to be located in the NW/4 Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico, in accordance with the provisions of the Unit Agreement for the Deer Canyon Unit and Unit Operating Agreement for such unit, said well to be commenced not later than October 30, 1973. Said well is to be drilled at Farmee's sole cost, risk and expense."

2. Paragraph 6 is amended to state as follows:

"6. By the performance of the covenants and conditions of this farmout contract and upon compliance with Section 5.1 of the Unit Operating Agreement, Roberts, Koch & Cartwright shall earn and be entitled to the assignment from Petroleum, Inc. as set forth in Section 5.1 of the Unit Operating Agreement.

3. Paragraph 7 is amended to state as follows:

"7. The assignment to be delivered by Farmor shall be subject to all of the terms and provisions of the Deer Canyon Unit Operating Agreement and Deer Canyon Unit Agreement."

4. Farmee shall have the right to assign all or any part of its interest hereunder to Natural Gas Pipe Line Company of America and Hilliard Oil & Gas, Inc. and shall notify Farmor of such assignment. Such parties shall assume their proportionate part of the burdens and obligations of this agreement.

5. Farmee shall not be liable in damages for failure to drill the well provided for in this agreement and in the Unit Operating Agreement, the sole penalty therefor being the loss of rights as prescribed in this farmout contract to earn acreage.

6. The rights of Farmor under the Unit Agreement and Unit Operating Agreement for the Deer Canyon Unit as to acreage owned by Aztec Oil & Gas Company, Cities Service Oil Company and Union Oil Company of California shall be subject to farmout agreements from said parties which Farmee shall make a good faith effort to satisfy.

The foregoing changes are necessary to conform to the Deer Canyon Unit Operating Agreement and we will be happy to discuss them with you. If you agree to the foregoing, please so indicate by your signature below, whereupon your agreement of March 27, 1973 shall be deemed amended accordingly.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

BY Charles E. Koch

Agreed:

PETROLEUM, INC.

BY [Signature]
Attorney in Fact

Roberts, Koch & Cartwright.

205 Building of the Southwest

MIDLAND, TEXAS 79701

A/C 915 - 683 - 6231

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

March 27, 1963

Roberts, Koch & Cartwright
205 Building of Southwest
Midland, Texas 79701

Attention: Mr. Charles Koch

Re: NM-22-S, NM0452514
Eddy County, New Mexico

Gentlemen:

Upon acceptance by you, this letter will constitute an agreement between Roberts, Koch & Cartwright, hereinafter called "Farmee", and Petroleum, Inc., hereinafter called "Farmor", with respect to the matters herein contained.

1. Within six months after approval of the Deer Canyon Unit, Farmee must commence or cause to be commenced the actual drilling of a test well to be located in the C/SW $\frac{1}{4}$ of Section 11, Township 20 South, Range 21 East, Eddy County, New Mexico, but in no case will the test be commenced later than October 30, 1973. This test will be diligently drilled in a good and workmanlike manner and drilling will continue until, irrespective of encountering production of oil and/or gas, said well has been drilled to a depth sufficient to penetrate the upper Mississippian (Barnett Shale) formation or to a depth of 9,500 feet, whichever is lesser. Said test well is to be drilled at Farmee's sole risk and expense.

2. Time is of the essence of this agreement and Farmee's failure, for any cause, to comply with all of its obligations herein created shall relieve Farmor of any and all obligations herein imposed upon it. Untimely compliance shall have the same effect as noncompliance.

3. The agents and representatives of Farmor shall have free and convenient access to the location, well and derrick floor during the drilling of said well at all times for the purpose of witnessing the progress of the drilling of said well, and shall be given all information regarding cuttings, cores, drill-

Roberts, Koch & Cartwright
Page 2
March 27, 1973

ing depths and any other information they desire.

4. During the course of the drilling of said well, there shall be furnished free of cost to the Farmor:

a. Daily comprehensive drilling reports of the progress of said well, said report to be given by telephone by 11:00 a.m. (MST).

b. Two approved copies of all notices to and from governmental agencies both before and after the drilling of the well, including a survey plat showing the exact location of said well, together with the ground elevation.

c. All information in connection with or obtained from the drilling of said well, including but not limited to any surveys of the hole however made.

d. Upon completion of the drilling of the well, electrical well log surveys, and other surveys, shall be made at Farmor's expense and two (2) field prints delivered to Farmor as follows:

(1) Induction-Electric Survey or Dual Induction Laterolog from total depth to base of the surface casing.

(2) Compensated Formation Density Log or other adequate porosity devices.

e. Upon completion of the well, as herein provided, four (4) certified copies of the geologist's report, four copies of each electrical log survey, all other surveys and tests, and also four certified copies of the official plugging record, if said well should be dry, shall be furnished our office. If said well is completed as a producing well, Farmor shall be furnished daily production reports for a period of thirty (30) days from completion date.

All notices, data, reports, sample, copies and information to be furnished hereunder shall, unless otherwise specifically herein provided, be given, mailed or delivered to:

Roberts, Koch & Cartwright

Page 3

March 27, 1973

Bob Cowdery	Phone: 303-893-9921
Petroleum, Inc.	After hours and week
500 Colorado State Bank Bldg.	ends,
Denver, Colorado 80202	Phone: 303-233-5413

or his designated representative at the same address.

5. It is the express purpose of drilling the said test well to test adequately and properly all prospective oil or gas bearing zones or horizons, and Farmee agrees to test adequately all such zones or horizons, including the drillstem testing of any zone or horizon indicated from information obtained in connection with the drilling of the well to be possible producing zones or horizons. Advance notification shall be given of Farmee's intention to core or drillstem test any zone. In the event Farmee should unexpectedly encounter showings of oil or gas, Farmee agrees to notify Farmor at once so that Farmor may have an opportunity to have such showings investigated by Farmor's representative or waive such right.

6. When and only if the Farmee has timely and fully complied with all of its obligations hereunder, including the drilling of a test well in the manner specified, Farmor shall assign to Farmee an undivided two-thirds (2/3) interest, upon request, without warranty of title, express or implied, in the following lands:

Township 20 South, Range 21 East
Lots 10, 11 SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE Section I
S $\frac{1}{2}$ Section 3
SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 4
N $\frac{1}{2}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Section 10,

it being understood that this two-thirds (2/3), as well as the undivided one-third (1/3), retained by the Farmor in the above described land shall be included in the Deer Canyon Unit and will participate in the unit on all tests drilled, other than the initial test well or any substitute for the test well to the extent of the percentage relationship that the acres involved in those interests bear to the acreage involved in the unit as a whole.

Roberts, Koch & Cartwright

Page 4

March 27, 1973

It is further understood that the Farmor shall receive its proportionate share of a five percent of eight-eighths (5% of 8/8) overriding royalty of any hydrocarbons produced from the initial test well. This share will be in the same percentage relationship that the 1,481.37 acres involved in the farmout bears to the 9,860.45 acres participating in the unit. After the Farmee has recovered 100% of the cost of drilling, completing and operating the initial test well, then this overriding royalty interest will be convertible by the Farmor to a working interest on the basis of one-third of the percentage relationship between the 1,481.37 acres involved in this farmout and the 9,860.45 acres participating in the unit. Effective date of the assignment of the working interest shall be 7:00 a.m. on the first day of the month following the month in which Farmee has recovered the above-described costs.

7. It is further agreed that all test wells drilled on the acreage subject to the unit shall be drilled and operated under the terms of a mutually agreeable operating agreement.

8. From and after the execution of this agreement, and until such time as Farmee has lost all rights under this agreement, or alternatively obtained the right to assignment, Farmee agrees, binds and obligates itself to protect, indemnify and save Farmor wholly harmless from any and all loss, cost, claim, demand, expense, damages, liabilities, suits, actions, judgments and decrees in anywise growing out of, attributable to or resulting from your performance of this agreement.

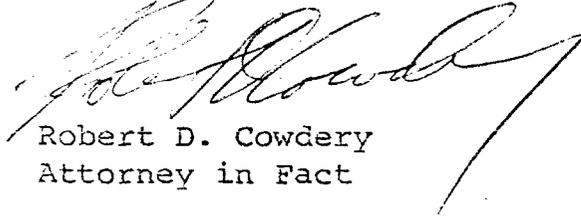
9. It is further agreed that Farmee shall be responsible for all costs and expenses that may arise directly or incidentally out of Farmee's compliance with this agreement, that this agreement does not set up a partnership or joint venture between the parties hereto and that the same is personal in the sense that neither this agreement nor any of Farmee's rights hereunder may, prior to Farmee's fulfillment of its obligations hereunder, be assigned by Farmee to any third party without the prior consent of Farmor to such assignment, and any attempted assignment will be null and void. Any assignment made by Farmee subsequent to its completion of its obligations hereunder shall recite that same is made pursuant and subject to the terms and provisions of the letter agreement.

Roberts, Koch & Cartwright
Page 5
March 27, 1973

It is understood that this letter covers our entire agreement with respect to the matters herein contained, which agreement will be null and void if not accepted by you and such acceptance evidenced by returning one accepted copy of this letter to Petroleum, Inc., 500 Colorado State Bank Building, Denver, Colorado 80202, within ten (10) days from the date hereof.

Yours very truly,

PETROLEUM, INC.



Robert D. Cowdery
Attorney in Fact

RDC:mcm:wc

AGREED TO AND ACCEPTED THIS 6th
DAY OF August 1973.

ROBERTS, KOCH & CARTWRIGHT

BY: Charles E. Cook

September 4, 1973

Petroleum, Inc.
500 Colorado State Bank Building
Denver, Colorado 80202

Cities Service Oil Company
P. O. Box 300
Tulsa, Oklahoma 74102

Union Oil Company of California
P. O. Box 3100
Midland, Texas 79701

Gentlemen:

Reference is made to the Unit Operating Agreement for the Deer Canyon Unit of Eddy County, New Mexico, and particularly Section 5.6 dealing with operations by less than all parties. All of you, together with Roberts, Koch & Cartwright, as Operator, will be parties to said Unit Operating Agreement, together with Aztec Oil & Gas Company.

Aztec Oil & Gas Company has indicated that it does not wish to abide by the provisions of Section 5.6 with respect only to the drilling and completing of subsequent wells. Rather, Aztec Oil & Gas Company desires to have the option in the event that it elects not to join in the drilling or completing of subsequent wells to convert its working interest as specified in Column 8 of Exhibit "A" to its proportionate part (3.85544%) of 5% of 8/8 overriding royalty in such well and proration unit surrounding the same, and Aztec would likewise relinquish its working interest in such well and proration unit. Then, after payout, that is, at such time as the party carrying the costs otherwise attributable to such interest out of production from such interest, then Aztec Oil & Gas Company would have the right to convert its overriding royalty to its working interest in such well and proration unit.

Roberts, Koch & Cartwright agrees that if it joins in the drilling of a well, it shall absorb the interest of Aztec Oil & Gas Company if it elects not to join in such drilling and be a non-consenting party so that the effect of failure by Aztec Oil & Gas Company to join in such operations would not affect your interest. However, should Roberts, Koch & Cartwright not join in such drilling, it is understood that the drilling party would be subject to such right of Aztec Oil & Gas Company as set forth above.

The foregoing would be a right of Aztec Oil & Gas Company on a well-to-well basis for the term of the operating agreement.

If the foregoing is acceptable to you, please so indicate by your signature below, whereupon this letter shall constitute an amendment to the Unit Operating Agreement and shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns.

This agreement may be executed in counterpart by each of you and shall be binding upon each party who signs the same.

Very truly yours,

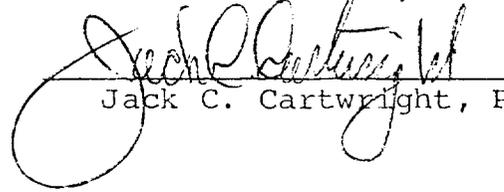
ROBERTS, KOCH & CARTWRIGHT



Rose D. Roberts, Partner



Charles E. Koch, Partner



Jack C. Cartwright, Partner

Accepted:

PETROLEUM, INC.

By _____

CITIES SERVICE OIL COMPANY

By Wiley C. Hill
Wiley C. Hill Attorney-in-Fact

UNION OIL COMPANY OF CALIFORNIA

By _____

Roberts, Koch & Cartwright agrees that if it joins in the drilling of a well, it shall absorb the interest of Aztec Oil & Gas Company if it elects not to join in such drilling and be a non-consenting party so that the effect of failure by Aztec Oil & Gas Company to join in such operations would not affect your interest. However, should Roberts, Koch & Cartwright not join in such drilling, it is understood that the drilling party would be subject to such right of Aztec Oil & Gas Company as set forth above.

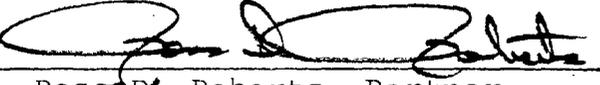
The foregoing would be a right of Aztec Oil & Gas Company on a well-to-well basis for the term of the operating agreement.

If the foregoing is acceptable to you, please so indicate by your signature below, whereupon this letter shall constitute an amendment to the Unit Operating Agreement and shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns.

This agreement may be executed in counterpart by each of you and shall be binding upon each party who signs the same.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

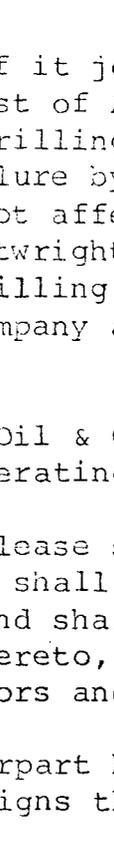
By 
Ross D. Roberts, Partner


Charles E. Koch, Partner


Jack C. Cartwright, Partner

Accepted:

PETROLEUM, INC.

By 

CITIES SERVICE OIL COMPANY

By _____

UNION OIL COMPANY OF CALIFORNIA

By _____

Roberts, Koch & Cartwright agrees that if it joins in the drilling of a well, it shall absorb the interest of Aztec Oil & Gas Company if it elects not to join in such drilling and be a non-consenting party so that the effect of failure by Aztec Oil & Gas Company to join in such operations would not affect your interest. However, should Roberts, Koch & Cartwright not join in such drilling, it is understood that the drilling party would be subject to such right of Aztec Oil & Gas Company as set forth above.

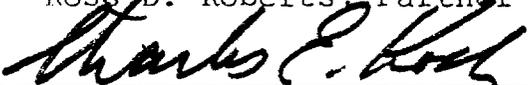
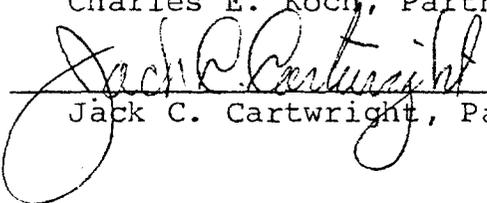
The foregoing would be a right of Aztec Oil & Gas Company on a well-to-well basis for the term of the operating agreement.

If the foregoing is acceptable to you, please so indicate by your signature below, whereupon this letter shall constitute an amendment to the Unit Operating Agreement and shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns.

This agreement may be executed in counterpart by each of you and shall be binding upon each party who signs the same.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By 
Ross D. Roberts, Partner

Charles E. Koch, Partner

Jack C. Cartwright, Partner

Accepted:

PETROLEUM, INC.

By _____

CITIES SERVICE OIL COMPANY

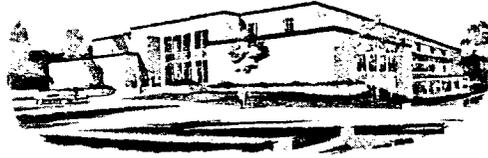
By _____

UNION OIL COMPANY OF CALIFORNIA

By 

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

June 7, 1973

P. O. BOX 1148
SANTA FE, NEW MEXICO

Roberts, Koch & Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re:04C-Deer Canyon Unit
Eddy County, New Mexico

ATTENTION: Mr. Charles E. Koch

Gentlemen:

We have reviewed the re-submitted form of unit agreement as well as the Exhibits, and find that they meet with the requirements of the Commissioner of Public Lands, therefore, the Commissioner approves the proposed agreement for the Deer Canyon Unit as to form and content.

Upon submitting this unit for final approval the following are required by this office:

1. Two executed copies of Unit Agreement-one must be an original
2. One copy of Operating Agreement (executed)
3. Two sets of all Ratifications from Lessees of Record and Working Interest Owners-one must be an original
4. Order of the Oil Conservation Commission
5. Filing Fee in the amount of One Hundred Sixty (\$160.00) Dollars.

In your final application we would like for you to state all tracts qualified and verification that the Working Interest in the qualified tracts have been contacted and requested to join. Also, state all tracts committed and not committed to the unit.

If we may be of further service please advise.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

August 21, 1973

Mr. Ben S. Brooks
915 Stanley
Ardmore, Oklahoma 73401

Re: 04C - Deer Canyon Unit Area
Eddy County, New Mexico
Consent and Ratification Forms

Dear Mr. Brooks:

In accordance with our telephone conversation today I am enclose a copy of our letter to all Royalty Owners together with Unit Agreement and Ten copies of Consent as stated in that letter.

Please let us hear from you at the earliest possible date as we are preparing to complete paper work on this unit and begin drilling of a well.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch

CEK:wc

Enclosures

Nu. 225339

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO	Mr. Ben S. Brooks	POSTMARK OR DATE 8/21/73
STREET AND NO.	915 Stanley St.	
CITY, STATE AND ZIP CODE	Ardmore, Oklahoma 73401	
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered	15¢
	With delivery to addressee only	55¢
	2. Shows to whom, date and where delivered	15¢
	With delivery to addressee only	55¢
	DELIVER TO ADDRESSEE ONLY	50¢
	SPECIAL DELIVERY (extra fee required)	

PS Form 3800
Apr. 1971

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)
GPO: 1971 O - 480-

Tract #14 - Ben S. Brooks 5% ORR

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)

(Additional charges required for these services)

Show to whom, date and address where delivered

Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

Ben S. Brooks

CERTIFIED NO.

225339

X

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

INSURED NO.

DATE DELIVERED

SHOW WHEN DELIVERED (Only if requested, and include ZIP Code)

8-23-73

U.S. POSTAL SERVICE
OFFICIAL BUSINESS



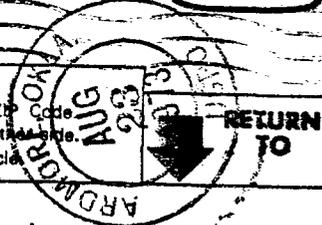
PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE: \$300



Postmark of Delivering Office

SENDER INSTRUCTIONS

- Print in the space below your name, address, including ZIP Code.
- If special services are desired, check block(s) on other side.
- Moisten gummed ends and attach to back of article.



Roberts, Koch & Cartwright
205 Bldg. of Southwest
Midland, Texas 79701

PS Form 3811 Nov. 1970 c66-16-81277-1

August 1, 1973

Aztec Oil & Gas Company
2000 First National Bank Building
Dallas, Texas 75202

Gentlemen:

This letter shall constitute conditional acceptance to your farmout agreement of April 2, 1973 to Roberts, Koch & Cartwright pertaining to State Lease L-522 covering Lots 1 through 8, S/2 N/2 and S/2 Section 2, Township 20 South, Range 21 East, Eddy County, New Mexico.

Our acceptance of your farmout agreement is subject to and conditioned upon the following changes:

1. The initial test well will be at a location in the NW/4 Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico.

2. The second sentence of Paragraph 1 shall be amended to state:

"It is further Aztec's understanding that by executing the Unit Agreement and Unit Operating Agreement, Aztec will thenceforth be entitled to interests as specified therein subject to farmout agreements from Cities Service Oil Company, Petroleum, Inc. and Union Oil Company of California which Roberts shall make a good faith effort to satisfy."

3. Paragraph 2 on Page 2 is amended to state as follows:

"First Test Well: Within thirty (30) days after the effective date of the proposed Unit Agreement (not later than October 15, 1973), Roberts agrees to commence actual drilling of the first test well on unitized land at a location of Roberts' choice in the NW/4 of said Section 14, Township 20 South, Range 21 East."

~~4. Paragraph 4 is amended to read as follows.~~

~~"Rights Earned: Roberts shall be entitled to earn interest as particularly set forth in Section 5.1 and 5.2 of the Unit Operating Agreement for the Deer Canyon Unit with rights of Aztec as set forth therein. Additionally, in the event the first test well is a dry hole and the second test well is not drilled under the terms of the unit operating agreement, Aztec will assign to Roberts 1/2 of Aztec's interest in all of the unitized land, subject to said unit operating agreement, down to a depth of 100 feet below total depth drilled."~~

~~5. Paragraph 5 of the farmout agreement shall be deemed deleted.~~

~~6. Inasmuch as the ownership and rights to be earned are fully set forth in Articles 5.1 and 5.2 of the Unit Operating Agreement, Sections 6 C, D, E and F of the farmout agreement shall be deemed deleted.~~

7. Roberts shall have the right to assign all or any portion of its interest acquired from Aztec to Natural Gas Pipe Line Company of America and Hilliard Oil & Gas, Inc.

8. Roberts shall not be liable in damages for failure to drill the initial test well or second test well, the sole penalty therefor being the loss of right to earn acreage of Aztec as set forth in the Unit Operating Agreement.

~~9. At such time as assignment is executed and delivered pursuant to the Unit Operating Agreement, the provisions of the farmout agreement shall no longer apply.~~

10. The first sentence of Paragraph 2 of Exhibit A shall be amended to state: "To adequately test to Aztec's good faith satisfaction the objective formation to determine whether it is capable of producing oil or gas in paying quantities."

11. Notwithstanding the provisions of said Unit Agreement or Unit Operating Agreement Aztec shall have available to it as to each and every well drilled in the Unit Area the option set out in numbered paragraph 5 of said Farmout Agreement. In the event a second test well is drilled pursuant to Section 5.6 of the Unit Operating Agreement it shall as to Aztec's interest be deemed a well drilled under numbered paragraph 5 of said Farmout Agreement. Wherever a working interest percentage is set out in said Farmout Agreement with regard to Aztec's interest such percentage shall be deemed to be the applicable percentages in Exhibit "A" to said Unit Operating Agreement.

If the foregoing changes are acceptable to you, please so indicate by your signature hereinbelow, whereupon said changes shall be an amendment of the original farmout agreement referred to above, and said farmout agreement shall be deemed to cover all of Lots 1 through 8, S/2 N/2 and S/2 Section 2, Township 20 South, Range 21 East, Eddy County, New Mexico.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By Charles E. Koch

Accepted:

AZTEC OIL & GAS COMPANY

By Kenneth A. Swanson *KS*

Vice President

ATTEST:

By: Wanda M. Sanders

ASSISTANT SECRETARY

STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared KENNETH A. SWANSON, known to me to be the Vice President of AZTEC OIL & GAS COMPANY, who acknowledged to me that he executed the foregoing instrument for the purposes and consideration therein expressed on behalf of such company and in the capacity therein expressed.

Given under my hand and seal of office this the 13th day of September, 1973.

Betty Jane Reeves
Notary Public in and for
Dallas County, Texas

My commission expires:

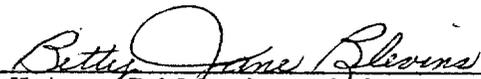
6-1-75

STATE OF TEXAS

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Charles E. Koch, partner on behalf of ROBERTS, KOCH AND CARTWRIGHT, a partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 13th day of September, 1973.


Notary Public in and for
Dallas County, Texas

My Commission Expires:

6-1-75

FARMOUT AGREEMENT

THIS AGREEMENT, made and entered into this 2nd day of April, 1973, by and between AZTEC OIL & GAS COMPANY, 2000 First National Bank Building, Dallas, Texas 75202, (hereinafter referred to as "Aztec"), and Roberts, Koch and Cartwright, 205 Building of the Southwest, Midland, Texas 79701, (hereinafter referred to as "Roberts"),

W I T N E S S E T H :

WHEREAS, Roberts has proposed the formation of a Federal Unit known as the Deer Canyon Unit of Eddy County, New Mexico and has submitted a Unit Agreement to cover the development of said unit, which agreement will be submitted to the U.S.G.S. for approval; and

WHEREAS, Roberts has proposed to drill a Morrow Sand test to a depth of approximately Eight Thousand Seven Hundred Feet (8,700') and at a location in the SW/4 of Section 11 or the NW/4 of Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico; and

WHEREAS, Aztec owns an oil and gas lease covering the following described land located in Eddy County, New Mexico, to-wit:

Township 20 South, Range 21 East
 Section 2: Lots 1 through 8 and $3/2$ of N/2, S/2
 containing 729.20 acres, more or less.
 (State of New Mexico Lease L-6522)
 (Aztec Lease Number NM-897); and

WHEREAS, Roberts has proposed that Aztec subscribe to the Unit Agreement above set forth which agreement shall include all of Sections 1 through 4, 9 through 16, and 21 through 24, all in Township 20 South, Range 21 East and covering 10,620.45 surface acres, herein defined as "unitized land"; and

WHEREAS, Roberts has agreed to drill the test well provided for in the Unit Agreement and Aztec has agreed that Roberts may acquire a certain portion of Aztec's interest in the unitized land by the drilling of said well in accordance with the terms and provisions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and between the parties as

1. UNIT AGREEMENT: Roberts agrees to submit the final Unit Agreement to Aztec for execution and in this connection, it is understood that Exhibit "A" and "B" will properly reflect the acreage subject to this Unit Agreement and will be attached thereto. It is further Aztec's understanding that by executing the Unit Agreement, Aztec will thenceforth own a 7.3952% working interest in the unitized land, which interest is subject to the farmout provisions of this agreement. Although the term "unitized land" is defined in the Unit Agreement, it contains no depth limitation, nevertheless it is understood that this farmout agreement does not apply to depths below 100' below the total depth drilled in the first test well.

2. FIRST TEST WELL: On or before sixty (60) days from the date the U.S.G.S. approves the proposed Unit Agreement (but not after July 1, 1973), Roberts agrees to commence the actual drilling of the first test well on unitized land at a location of Roberts' choice in the SW/4 of Section 11 or the NW/4 of Section 14, Township 20 South, Range 21 East.

3. OBLIGATION DEPTH: The first test well shall be drilled to test the Morrow Sand or to a total depth of Eight Thousand Seven Hundred Feet (8,700'), whichever occurs first.

4. RIGHTS EARNED: In the event the first test well drilled hereunder is completed as a producing well, at any depth, in paying quantities and upon request within thirty (30) days from completion, Aztec agrees to assign to Roberts the following interest in unitized land as defined and set forth in the Unit Agreement:

A. All of Aztec's 7.3952% working interest in the proration unit surrounding said well with Aztec reserving a 5% overriding royalty (reduced to Aztec's working interest) and limiting rights herein to 100' below total depth drilled in said first test well.

(1) At such time as the income which Roberts receives from the sale of production from said well equals Roberts' cost of drilling, completing, equipping, and operating said well (after deducting one-eighth (1/8) royalty and production taxes) then Aztec's reserved overriding royalty shall convert to a 3.6976% working interest.

B. An undivided one-half (1/2) of Aztec's 7.3952% working interest in unitized land, excluding the proration unit described in A. above and limited

to 100' below the total depth drilled in the first test well.

C. In the event the first test well is completed as a dry hole, Aztec will assign to Roberts one-half (1/2) of Aztec's 7.3952% working interest in the entire unitized land to a depth of 100' below the total depth drilled.

5. SUBSEQUENT WELLS: Wells which may be drilled on unitized land subsequent to the first test well shall be drilled in accordance with the terms of a Unit Operating Agreement, the terms of which have not been agreed upon at this time, but which, among other things, will contain a non-consent provision to the effect that Aztec shall have the option to convert its 3.6976% working interest to its pro rata share of a 5% overriding royalty as to the proration unit surrounding each well so drilled. This non-consent option shall be a continuing option on a well-to-well basis.

A. After payout (as defined in Paragraph 4 above), as to any well drilled herein, Aztec elects to retain an overriding royalty, such reserved overriding royalty shall convert to 3.6976% working interest in and to the well and proration unit.

6. MISCELLANEOUS PROVISIONS:

A. The first test well drilled hereunder shall be drilled, logged, tested, and completed either as a producer or dry hole subject to the following:

- (1) In the manner of a prudent operator.
- (2) Subject to the provisions of Exhibit "A" attached hereto.

B. Any assignment to Roberts shall be without warranty of title either expressed or implied.

C. Aztec's working interest in the unitized land shall not be subject to any lease burdens in excess of a one-eighth (1/8) royalty.

D. The 5% overriding royalty which Aztec may reserve hereunder shall be 5% (reducible to Aztec's working interest) of the market value at the well of all oil, gas and other hydrocarbons produced, saved and marketed from or attributable to the wells burdened by Aztec's overriding royalty.

E. During the payout period on each well where Aztec reserves an overriding royalty, Roberts agrees to furnish Aztec with quarterly payout status reports.

(1) At payout of each well, Roberts agrees to execute such instruments as may be required to effect a conversion to a working interest, the effective date of which shall be the first day of the month following the month in which

payout occurs. Roberts agrees to place no additional burdens on the well or proration unit in addition to the one-eighth (1/8) royalty.

F. Failure to drill the first test well as set forth herein shall result in the termination of this agreement forthwith, subject to Roberts' liability for all accrued cost, risk and expense.

G. Roberts agrees to hold Aztec harmless from any loss, cost, claim or liability of every kind arising out of Roberts' operation and Roberts agrees to keep the unitized land free of any liens and encumbrances.

H. Roberts agrees not to assign any rights herein without Aztec's prior consent.

I. Any conflict between this agreement and the Unit Agreement and/or Unit Operating Agreement shall be resolved in favor of this agreement.

7. RENTALS: In the event Aztec has to pay a rental on the farmout acreage prior to the time that Roberts may earn any right hereunder, Roberts agrees to reimburse Aztec for 100% of the rental amount so paid. Aztec shall not be liable for error in such payment or nonpayment due to mistake or oversight.

It is agreed that this agreement shall be binding upon the parties hereto, their representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

ATTEST:

AZTEC OIL & GAS COMPANY

Kenneth A. Swanson
Secretary

Quilman B. Davis
Quilman B. Davis
President

ROBERTS, KOCH AND CARTWRIGHT

By Charles E. Koch

PROVISIONS APPLICABLE TO TEST WELLS

The party drilling any test well provided for in the agreement to which this schedule is attached agrees and binds himself/itself to observe and comply with the provisions hereof as follows; failure to comply with these provisions shall release Aztec from its obligations and covenants contained in the agreement to which this Exhibit is attached and made a part:

1. To conduct all operations in accordance with approved and accepted practices prevailing in the field or area where the well is drilled.
2. To adequately test to Aztec's satisfaction the objective formation to determine whether it is capable of producing oil or gas in paying quantities. Such tests shall also be made with respect to all other formations in which a show of oil or gas is encountered.
3. To accord Aztec the freedom of the derrick floor and full and free access to the well and the records thereof at any and all times.
4. To give Aztec reasonable notice and sufficient time to have a representative present before any testing, coring or logging of a prospective oil or gas zone or the plugging of the well. Such notice shall be given to:

<p>Mr. Ken Wood, Aztec Oil & Gas Co., 2000 First National Bank Bldg., Dallas, Texas 75202 Office: 741-1272 Res. 254-8090</p>	<p>Mr. Lester Duke, Aztec Oil & Gas Co., P.O. Box 837, Hobbs, New Mexico 88240 Off: EX 3-5844 Home: 397-1409</p>
--	--
5. To advise Aztec, in writing, before commencing operations, the name and address of the geologist or engineer servicing the well.
6. To furnish Aztec, without cost to Aztec, the following reports, data and information:

DURING THE DRILLING OF THE TEST WELL

- (1) Daily drilling report showing the nature of all work done and depth and formations penetrated, air mailed, telephone or telegraphed to Aztec at the above address daily beginning with the date actual work is commenced at the location and continuing until drilling, logging and testing is completed, or, if a dry hole, the well has been plugged and abandoned.
- (2) One copy of the daily report provided by a hydrocarbon mud logging unit air mailed daily to Aztec, if such a unit is on the well.
- (3) One copy of the drilling time record.
- (4) Formation water samples shall be saved, if recovered, from any drillstem tests which may be taken. Aztec shall be furnished uncontaminated samples thereof unless such samples are submitted to a laboratory for analysis, in which case, one copy of the results of such analysis shall be provided Aztec.
- (5) Formation samples taken at intervals of 10' from surface casing to total depth or at less than 10' intervals as requested by Aztec. Such samples are to be saved at the well for Aztec.

UPON COMPLETION OF THE TEST WELL

- (6) A complete certified driller's log and/or State Completion Report (well record and formation record).
- (7) The following electrical surveys shall be run in the well:
 - (a) From the bottom of the surface casing to total depth:
IES log
 - (b) Covering the objective zone or formation, any other zone or formation in which a show of oil or gas is encountered or indicated and any additional interval which may be requested by Aztec or its representative at the well:
Gamma Ray Sonic or Density log

Two copies of the field print of each log run in the well shall be delivered as soon as available to Aztec's representative at the well. Should such representative not be present when the log is run, the field print copies shall be air mailed, without delay, to one copy each to

Mr. Ken Wood,
Aztec Oil & Gas Co.
2000 First National Bank Bldg.,
Dallas, Texas 75202

Mr. Lester Duke,
Aztec Oil & Gas Co.,
P.O. Box 837,
Hobbs, New Mexico 88240

Two copies of the final print of each log run in the well shall be mailed promptly to Aztec.

- (8) Certified copy or photoprint of all well reports required by any governmental office or body.
- (9) Two certified copies of the plat of a licensed surveyor showing location of the well and its elevation.
- (10) Copy of survey to determine the deviation of the hole from the vertical, if one is made, or if requested by Aztec.
- (11) Two copies of any core analysis and two copies of any core report which may be made.
- (12) One copy of the sample log or descriptions pertaining to the intervals covered by the geologist examining drilling samples.
- (13) Two copies of any bottom-hole pressures taken.
- (14) One copy of any directional survey (Eastman, etc.) if run.
- (15) Two copies of drillstem tests, if taken.
- (16) Two copies of the completion final report prepared by the hydrocarbon mud logging unit, if such a unit is employed.
- (17) Two copies of gas, oil ratio tests, if taken.
- (18) Two copies of reservoir fluid or gas analysis, if samples are analyzed.
- (19) Two copies of open-flow potential and shut-in tests, if gas well.
- (20) If a completion is attempted, daily reports covering all work performed, production gauges, pressure information and all other well data shall be mailed to Aztec at no greater intervals than once a week from the commencement of the completion attempt until two months following such completion, as determined by the date of filing of the completion report required by the appropriate state regulatory agency.

STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared
QUILMAN B. DAVIS, known to me to be the President of AZTEC OIL & GAS COMPANY,
who acknowledged to me that he executed the foregoing instrument for the
purposes and consideration therein expressed on behalf of such company and
in the capacity therein expressed.

Given under my hand and seal of office this the 11th day of April
1973.

Wanda M. Sanders
Notary Public in and for Dallas
County, Texas

My Commission Expires:
6-1-73

STATE OF TEXAS)
)
COUNTY OF Midland)

BEFORE ME, the undersigned authority, on this day personally appeared
Charles E. Koch, partner on behalf of ROBERTS, KOCH AND CARTWRIGHT,
a partnership, known to me to be the person whose name is subscribed to the
foregoing instrument and acknowledged to me that he executed the same for the
purposes and consideration therein expressed.

Given under my hand and seal of office this the 6th day of August
1973.

Lu Simmond
Notary Public in and for
Midland, ~~New Mexico~~ County, ~~New Mexico~~ Texas

My Commission Expires:
6-1-75

Roberts, Koch & Cartwright

205 Building of the Southwest

MIDLAND, TEXAS 79701

AC 915 - 653 - 6231

MISS O. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK B. CARTWRIGHT - GEOLOGIST

August 22, 1973

Cities Service Oil Company
P. O. Box 300
Tulsa, Oklahoma 74102

Re: 04C - Deer Canyon Unit
Eddy County, New Mexico

Gentlemen:

Reference is made to farmout contract of June 8, 1973 from Cities Service Oil Company to Roberts, Koch & Cartwright and amendatory letter of August 1, 1973 pertaining to said farmout contract.

In addition to the amendment provided for in said amendatory letter of August 1, 1973, it is our understanding that you have raised the question as to a possible conflict in the Deer Canyon Operating Agreement between Article 3, specifically Section 3.3 and 3.6, relating to voting procedure, and Article 5.5 relating to the drilling of wells by less than all parties.

Please be assured that it is our understanding and construction of this agreement that Article 5.6 will, in any event, govern and control the relationships of the parties as specified therein and would be the controlling provision in the event of non-consent operations.

In effect, therefore, a decision by a majority under the voting procedure would not prevent a part from prevailing under the provisions of Article 5.6.

Yours very truly

ROBERTS, KOCH & CARTWRIGHT



Charles E. Koch

CEK:wc

August 1, 1973

Cities Service Oil Company
P. O. Box 300
Tulsa, Oklahoma 74102

Gentlemen:

Reference is made to Farmout Contract of June 8, 1973 from Cities Service Oil Company to Roberts, Koch and Cartwright. It is the purpose of this letter to conditionally accept such farmout contract, subject to modifications as follows:

1. Paragraph 1(a) is amended to state as follows:

"1. (a) Operator agrees to commence the actual drilling of a well (hereinafter referred to as 'first well') for oil or gas within thirty (30) days from the effective date of the Deer Canyon Unit Agreement at a location on Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico, and thereafter diligently and continuously prosecute the drilling of the first well in a proper and workmanlike manner to a depth sufficient to penetrate the Upper Mississippian (Barnett Shale) Formation (provided, however, Operator shall not in any event be required to drill said well to a depth in excess of 8700 feet) or to such lesser depths with production in paying quantities (as defined in the Deer Canyon Unit Agreement) and complete said well within ninety (90) days from date of commencement. Substitute well may be drilled in lieu of the initial well as provided in Section 5.1 of the Unit Operating Agreement for the Deer Canyon Unit."

2. Paragraph 1(b) shall be amended to contain the following parenthetical expression at the conclusion thereof:

"(Provided, however, Unit Operator shall not in any event be required to drill said well to a depth in excess of 8700 feet.)"

3. Paragraph 1(c) shall be amended to state as follows:

"By the performance of the covenants and conditions of this farmout contract and upon compliance with Section 5.1 of the unit operating agreement, Roberts, Koch & Cartwright shall earn and be entitled to the interest as set forth in Section 5.1 of the unit operating agreement."

4. Paragraph 2(c) shall be amended to provide as follows:

"All formations, sections, zones or other reservoirs in which the presence of oil or gas is indicated shall be thoroughly tested to the good faith satisfaction of Cities and its representative by a reasonable amount of coring, drill stem tests or through casing tests, together with any other approved testing methods and Operator shall make a diligent effort to complete the said well as a commercial producer of oil and/or gas."

5. Paragraph 2(d) shall have the following sentence added thereto:

"Provided, however, that when the well is being drilled with air or gas, the requirements of this Section 2(d) shall not apply."

6. Paragraph 2 (m) is amended to add the following sentence:

"Operator shall have the right to furnish equivalent logs to those set forth above."

7. Paragraph 2(p) shall be amended to state:

"All correlations and determinations of the requirements provided for in this Paragraph 2 shall be made to the good faith satisfaction of Cities' representative."

8. Paragraph 2(s) is amended to state:

"In the event said well is completed as non-productive of oil or gas, or as one not capable of producing oil or gas in paying quantities, Operator shall plug and abandon the same."

9. Paragraph 6 is hereby amended to state:

"In the event the Operator fails to commence or continue (and the cessation of drilling or other operations in connection with such well for thirty (30) days shall be deemed failure to continue drilling) or complete the initial well in accordance with the provisions hereof, this contract shall, at Cities' option, terminate, whereupon Cities shall be subject to the terms of the Deer Canyon Unit Operating Agreement, the same as if it had not farmed out acreage to Roberts, Koch & Cartwright herein.

10. Paragraph 7 of said agreement is amended to state:

"The said leases and the said lands are situated within the Unit Area for the Deer Canyon Unit and will be subject to the Deer Canyon Unit Agreement and, notwithstanding anything contained herein to the contrary, it is understood and agreed if Operator is unable for any reason to secure the required approvals and agreements from parties necessary to consummate the Deer Canyon Unit Agreement and Unit Operating Agreement, this Agreement shall become null and void without further obligation or liability on the part of either party hereto to the other. For the purpose of determining reimbursement to Operator for costs of all wells drilled pursuant to this Agreement as provided in Exhibit "B", the Accounting Procedure attached to the Deer Canyon Unit Operating Agreement as Exhibit "B" shall control. The interest of Cities shall be subject to the terms and provisions of the Deer Canyon Unit Operating Agreement which shall be effective upon the signature of the same by Cities. Once the assignments pursuant to this agreement are executed and delivered, the terms and provisions of the Deer Canyon Unit Operating Agreement shall thereafter apply, rather than this farmout agreement."

11. Operator shall have the right to assign all or any part of its interest hereunder to Natural Gas Pipe Line Company of America and Hilliard Oil & Gas, Inc. and shall notify Cities of such assignment. Said parties shall assume their proportionate part of the burdens and obligations of this agreement.

12. Operator shall not be liable in damages for failure to drill the well provided for in this agreement and in the Unit Operating Agreement, the sole penalty therefor being the loss of rights as prescribed in this farmout contract to earn acreage.

13. Cities' rights under the Unit Agreement and Unit Operating Agreement as to acreage owned by Aztec Oil & Gas Company, Petroleum, Inc. and Union Oil Company of California shall be subject to farmout agreements from said parties which Roberts, Koch & Cartwright shall make a good faith effort to satisfy.

14. Exhibit "B" to the farmout contract shall be amended as follows:

(a) Paragraph 1 is amended to state as follows:

"1. There is excepted and reserved from the leases and lands assigned herein all rights granted by said leases below the depth to which this Assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth and an overriding royalty of 28.47535% of one-sixteenth of eight-eighths (1/16 of 8/8) of all oil, casinghead gas, gas, condensate and/or distillate and other minerals produced from the lands assigned herein under said leases, with the right to convert the overriding royalty to 14.23768% of working interest as specified in the Deer Canyon Unit Operating Agreement."

(b) Paragraph 2 of said Assignment of Operating Rights shall be deemed deleted for the reason that the same is expressly provided for in Section 5.1 of the Deer Canyon Unit Agreement.

(c) Paragraph 7 shall be deemed deleted inasmuch as the farmout contract will no longer be operative once the assignment is to be executed and delivered.

(d) There shall be added to said assignment a statement as follows:

"This Assignment of Operating Rights is subject to the terms and provisions of the Unit Operating Agreement for the Deer Canyon Unit dated _____ day of _____, 1973."

(e) Paragraph 16 relating to call on oil and gas shall be deleted.

15. Exhibit "C" to the farmout contract shall be amended as follows:

(a) Paragraph 5 relating to the farmout contract shall be deemed deleted for the reasons set forth above.

(b) Paragraph 7 relating to call on oil and gas shall be deleted.

(c) There shall be a paragraph added to said assignment which states:

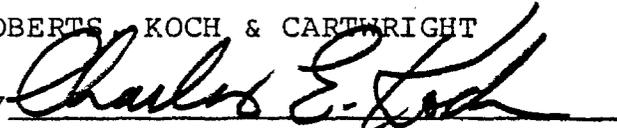
"This assignment is subject to all of the terms and provisions of the Unit Operating Agreement for the Deer Canyon Unit dated the 1st day of September, 1973."

The foregoing changes are changes necessary to conform to the Deer Canyon Unit Operating Agreement, and we will be happy to discuss them with you. If you agree to the foregoing, please so indicate by your signature below, whereupon the farmout contract of June 8, 1973 shall be deemed amended accordingly.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

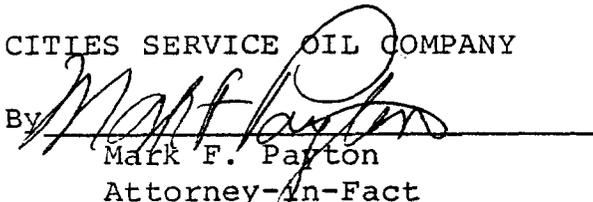
By



Agreed:

CITIES SERVICE OIL COMPANY

By



Mark F. Payton
Attorney-in-Fact

FARMOUT CONTRACT

THIS FARMOUT CONTRACT made and entered into this 8th day of June, 1973, by and between CITIES SERVICE OIL COMPANY, a Delaware corporation, whose address is P. O. Box 300, Tulsa, Oklahoma 74102, hereinafter called "Cities," and

ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Operator";

WITNESSETH:

WHEREAS, Cities is the owner of the oil and gas leases (hereinafter referred to as "said leases") covering and embracing the lands (hereinafter referred to as "said lands") described in Exhibit "A," which is attached hereto and made a part hereof; and

WHEREAS, the Operator desires to acquire an assignment or conveyance of said leases covering the said lands on the conditions hereinafter set forth,

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) in hand paid by Cities to the said Operator and of the mutual covenants herein contained, the parties hereto agree as follows:

1. (a) Operator agrees to commence the actual drilling of a well (hereinafter referred to as "first well") for oil or gas within thirty (30) days from the effective date of the Deer Canyon Unit Agreement at a location on Section 10, Township 20 South, Range 21 East, Eddy County, New Mexico, and thereafter diligently and continuously prosecute the drilling of the first well in a proper and workmanlike manner to a depth sufficient to penetrate the Upper Mississippian (Barnett Shale) Formation or to such lesser depth with production in paying quantities (as defined in the Deer Canyon Unit Agreement) and complete said first well within ninety (90) days from date of commencement.

(b) In the event the first well is completed as a dry hole or as a well not capable of producing oil and/or gas in paying quantities (as defined in the Deer Canyon Unit Agreement), Operator is granted the option to commence a well (hereinafter referred to as "second well") within eighty (80) days from completion of the first well at a location of Operator's choice on lands within the Unit Area for the said Deer Canyon Unit and thereafter diligently and continuously prosecute the drilling of the second well in a proper and workmanlike manner to a depth sufficient to penetrate the Upper Mississippian (Barnett Shale) Formation or to such lesser depth with production in paying quantities (as defined in the Deer Canyon Unit Agreement) and complete said second well within ninety (90) days from date of commencement.

(c) By the performance of the covenants and conditions hereof and upon completion of either the first or second well as a well capable of producing oil and/or gas in paying quantities (as defined in the Deer Canyon Unit Agreement), Operator shall acquire all of Cities' interest in the drilling unit for said producing well covering rights down to and including, but not below, the depth of one hundred feet (100') below the greatest depth drilled in said producing well, subject to an overriding royalty of 28.47213% of one-sixteenth (1/16) of all production with the option to convert the overriding royalty to a net 14.236065% working interest. Operator shall also acquire an undivided one-half (1/2) (a net 14.236065%) of Cities' interest in that portion of the Deer Canyon Unit Area not allocated to the said producing well together with an undivided one-half (1/2) (a net 14.236065%) of Cities' right, title and interest in and to the said leases insofar as they cover the said lands covering rights to one hundred feet (100') below the greatest depth drilled in said producing well; provided, however, in the event any portion of said lands are included in the drilling unit for such producing well, Operator shall acquire all of Cities' interest in the said leases insofar as same cover the said lands included within the drilling unit covering rights to one hundred feet (100') below the greatest depth drilled in said producing well subject to an overriding royalty of 28.47213% of an undivided one-sixteenth (1/16) of all production with the option to convert the overriding royalty to a net 14.236065% working interest. All the rights acquired pursuant hereto shall be subject to the further provisions of this agreement.

FARMOUT CONTRACT

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2. The said well or wells (hereinafter referred to in the singular if more than one well is drilled hereunder) shall be drilled according to the following covenants and understanding:

(a) All operations shall be conducted at the sole expense of Operator in a proper and workmanlike manner and in accordance with all applicable laws and regulations of the constituted authorities, and Operator shall defend, indemnify and hold Cities and its officers, directors, agents, employees and invitees harmless from all liability for damage (including attorney's fees) to the person (including death) and/or property of all persons arising from the performance or non-performance of Operator's operations conducted hereunder.

(b) Prior to the commencement of the said well, Operator shall coordinate the drilling, coring, testing and logging program for said well with Cities' Region Office.

(c) All formations, sections, zones or other reservoirs in which the presence of oil or gas is indicated shall be thoroughly tested to the satisfaction of Cities and its representative by a reasonable amount of coring, drill stem tests or through casing tests, together with any other approved testing methods and Operator shall make a diligent attempt to complete the said well as a commercial producer of oil and/or gas. If in the opinion of Cities' representative the presence of oil or gas or indication thereof justifies running pipe, all necessary casing or pipe shall be used to insure a proper test. Operator shall treat the formations in which oil or gas or indications thereof are present in a manner to improve reservoir conditions, including adequate acidizing and/or fracturing when in the judgment of a reasonable and prudent Operator such treatment on said well would prove beneficial.

(d) Operator agrees to maintain adequate mud to assure good sample returns, drill stem testing and electric logging operations, and Operator shall take ten (10) foot cutting samples from surface casing to total depth and daily deliver samples of such cuttings, at Operator's expense, to:

Midland Sample Cut and Library
707 South Connell Street
Midland, Texas 79701

(e) If requested by Cities, Operator shall furnish Cities samples of all cores recovered.

(f) No oil base or oil emulsion mud shall be used in the drilling of this well, without prior written consent from Cities.

(g) Operator agrees to forward each day, to Cities' representative, a copy of Operator's previous day's drilling report showing the formation or formations penetrated including the correct depths thereof and daily mudlogger reports if a mudlogging unit is used on the said well. Operator also agrees to telephone each day at Operator's own expense, prior to 9:30 o'clock a.m., Cities' representative informing of the formations penetrated and the correct depths thereof, the tops called and intervals tested.

(h) Operator agrees to install a gas detector from the Wolfcamp Formation.

(i) Operator shall keep drilling time at ten (10) foot intervals from the base of surface casing to total depth.

(j) Operator shall permit Cities, at its election, to lower a geophone, dipmeter, or similar instrument into said well for the purpose of making any test desired; provided that Cities shall reimburse Operator for any cost incurred as a result of Cities performing any such test.

(k) Operator shall notify Cities' representative in sufficient time (at least twenty-four (24) hours in advance) to allow said representative to witness the running of all logs, all coring and testing of formations, the drilling

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of said well into known or expected producing horizons and before drilling through any unexpected showing of oil or gas.

(l) Cities' representative shall have access to the derrick floor at all times and shall have access to and be furnished with all information on drilling progress.

(m) Operator agrees to run a Sonic - Gamma Ray; Dual Induction Laterolog and Microlaterolog and promptly furnish Cities' representative three (3) field prints and three (3) finished prints thereof. Operator also agrees to promptly furnish Cities' representative three (3) field prints and three (3) finished prints of all other logs which have been run.

(n) All notices and other information required under the provisions of this Paragraph 2. to be furnished Cities' representative shall be furnished to:

<u>NAME OF REPRESENTATIVE</u>	<u>OFFICE</u> <u>MONDAY THRU FRIDAY</u>	<u>RESIDENCE</u> <u>WEEKENDS & HOLIDAYS</u>
Mr. Ed King Cities Service Oil Company 800 Vaughn Building Midland, Texas 79701	(915) 684-1731	(915) 682-3145

who is designated as Cities' representative. Cities reserves the right to replace said representative and shall furnish Operator with the name, address and telephone numbers of any such new representative. All samples, notices and other information required to be furnished Cities to its Region office shall be furnished to said office at the following address:

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attn: Mr. Ed King

(o) Operator agrees to give Cities' representative an immediate, detailed and authentic report of the results of all drill stem tests or other tests made during the drilling of said well.

(p) All correlations and determinations of the requirements provided for in this Paragraph 2. shall be made to the satisfaction of Cities' representative.

(q) Operator shall promptly furnish Cities' representative three (3) copies of any forms filed with the State Regulatory Commission or Agency.

(r) On completion of the well, Operator shall furnish Cities a complete driller's log certified by Operator as being correct.

(s) In the event said well is completed as non-productive of oil or gas, or as one not capable of producing oil or gas in paying quantities, Operator shall plug and abandon the same, but not until Cities, if it so elects, has had a reasonable opportunity of examining the formations and measuring the depth of the well, using so far as necessary the tools and workmen of Operator, and such abandonment shall not be commenced without Cities' expressed consent and approval.

3. Upon completion of the first or second well as a producer of oil and/or gas in paying quantities as herein provided and upon receipt of request from Operator, Cities agrees to assign to Operator without warranty of title either express or implied and in the form and language either as set forth in Exhibit "B," which is attached hereto and made a part hereof, or Exhibit "C," which is attached hereto and made a part hereof, covering interests earned by Operator as provided in Paragraph 1. (c). Failure of Operator to so request assignment from Cities within thirty (30) days after completion of a well shall automatically terminate Operator's right to receive such assignment. Upon delivery to said Operator of any assignment or conveyance as herein contemplated, the Operator agrees to secure

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the approval of said assignment or conveyance, if necessary, and to file same for recording within ten (10) days after such delivery in the proper County Office and furnish Cities with the recording data thereof.

4. After the commencement of the first well, Cities shall continue to pay all delay rentals becoming due under the leases insofar as same cover the acreage as set forth in Exhibit "A" hereto and shall furnish Operator with statements for such payment. Operator, upon receipt of said statement, shall reimburse Cities for said payment or payments to the extent of fifty percent (50%) thereof. In the event Cities fails to make proper payment of any delay rental through mistake or oversight where such rental is required to continue a lease in force, there shall be no liability of any kind, money or otherwise, against Cities for failure to pay such rental.

It will be assumed that the parties hereto concur in the continuation of the leases covered hereby by the payment of such rentals as are required unless either of the parties notifies the other prior to the tenth day of the month preceding the month in which the rental date falls of its recommendation to terminate a given lease and not participate in such rental payment. In the event the party notified desires to pay the entire rental and acquire an assignment of the cancelling party's interest, the cancelling party will furnish to the party desiring to continue the lease an assignment of its interest within thirty (30) days after the cancelling party receives request for such assignment.

Should both parties concur in the termination of a lease covered hereby by non-payment of rental, Cities will prepare, in due course of business, a joint release and forward same to Operator for its execution.

5. While operations are being conducted hereunder on any leasehold interest covered hereby upon which Cities then holds legal title, Operator agrees to carry adequate insurance as required by Cities and agrees to furnish Cities, before commencing operations, valid certificates of insurance satisfactory to Cities of policies carried by Operator hereunder.

6. In the event the Operator fails to commence or continue (and the cessation of drilling or other operations in connection with such well for thirty (30) days shall be deemed failure to continue drilling) or complete any well in accordance with the provisions hereof, this contract shall, at Cities' option, terminate. Upon Operator's failure to conduct the drilling operations as provided for herein, Cities may, at its option, take possession of all tools placed thereon by Operator and complete said well at Cities' expense and liability; however, the exercise of this option shall in no way relieve Operator from liability for damages accruing to Cities as a result of Operator's default.

7. The said leases and the said lands are situated within the Unit Area for the Deer Canyon Unit and will be subject to the Deer Canyon Unit Agreement and, notwithstanding anything contained herein to the contrary, it is understood and agreed if Operator is unable for any reason to secure the required approvals and agreements from parties necessary to consummate the Deer Canyon Unit Agreement and Unit Operating Agreement, this Agreement shall become null and void without further obligation or liability on the part of either party hereto to the other. For the purpose of determining reimbursement to Operator for costs of all wells drilled pursuant to this Agreement as provided in Exhibit "B," the Accounting Procedure attached to the Deer Canyon Unit Operating Agreement as Exhibit "B" shall control. Any commitment to the Deer Canyon Unit Agreement and Unit Operating Agreement by Cities through its execution or ratification of Unit Operating Agreement shall not prejudice its right and option to reject provisions of said Operating Agreement which it determines unnecessary or undesirable, specifically as to the said Operating Agreement (but not by way of limitation), Cities does not accept and will not operate under the terms of Article 5.6, Operations by Less Than All Parties, and Cities' ratification of said Operating Agreement will be made with the understanding that the provisions of Article 5.7 shall apply to any well proposed on the Unit Area except in the event of a required well (The said Operating Agreement does not contain a provision pertaining to required wells which will be, but not by way of limitation, a requirement by Cities that such a provision be contained in the said Operating Agreement). At such time as Operator has been reim-

leased for a well as provided in Exhibit "B" and if Cities has elected to convert its overriding royalty to a working interest, the said Deer Canyon Operating Agreement, as may be modified pursuant hereto, shall become operative and effective as to such well. Notwithstanding any assignment which may be delivered by Cities to Operator pursuant to the terms of this Agreement, all rights and interests reserved by Cities pursuant hereto will be based upon the interest credited to the said leases and said lands within the entire Unit Area and not limited specifically to the said lands.

8. Cities' interest in the Deer Canyon Unit Agreement, which it retains pursuant to this agreement, will be as described in Exhibit "A" to the Unit Operating Agreement and if for any reason the participating parties change, thereby creating a change of the interests of the parties thereunder, then the interests specifically set forth herein shall likewise be changed accordingly.

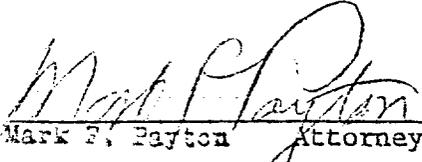
9. Time shall be the essence of this Farmout Contract in all of its parts. This contract shall be executed in duplicate. The terms, covenants and conditions hereof shall run in favor of and be binding upon the parties hereto, their successors and assigns, and shall run with the said leaseholds and lands and shall be capable of specific performance.

10. This Farmout Contract may not be assigned by Operator without the prior written consent of Cities.

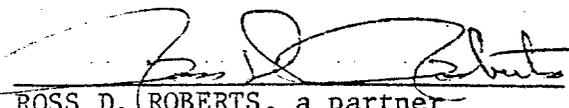
This Farmout Contract shall not become binding or effective unless it is executed by all parties and returned to Cities within thirty (30) days from the date of the acknowledgment of Cities' execution.

IN WITNESS WHEREOF, the Operator has hereunto caused its name and Cities has hereunto caused its name to be subscribed the day and year first above written.

CITIES SERVICE OIL COMPANY

By 
Mark F. Payton Attorney-in-Fact

ROBERTS, KOCH AND CARTWRIGHT

By 
ROSS D. ROBERTS, a partner

By 
CHARLES E. KOCH, a partner

By 
JACK CARTWRIGHT, a partner

EXHIBIT "A" - Attached to and made a part of Farmout Contract dated June 8, 1973,
between CITIES SERVICE OIL COMPANY and ROBERTS, KOCH AND CARTWRIGHT.

SCHEDULE OF OIL AND GAS LEASES

LEASE NUMBER: 1-07X6-3014363 (File 3014363)
SERIAL NUMBER: NM 10570
ORR RESERVED: 3X
DATE: November 1, 1969
LESSOR: The United States of America
LESSEE: Cities Service Oil Company
RECORDING DATA: October 20, 1969, at 10:00 A.M. in the
Office of the Bureau of Land Management,
Santa Fe, New Mexico

DESCRIPTION: SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 4, Township 20
South, Range 21 East, NMPM, Eddy County,
New Mexico, containing a total of 200.00
acres.

LEASE NUMBER: 1-07X6-3014364 (File 3014364)
SERIAL NUMBER: NM 12543
ORR RESERVED: 3X
DATE: November 1, 1970
LESSOR: The United States of America
LESSEE: Cities Service Oil Company
RECORDING DATA: May 14, 1973, at 11:35 A.M. in Book 100,
Page 555 of the Miscellaneous Records of
Eddy County, New Mexico

DESCRIPTION: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ of Section 9, W $\frac{1}{2}$ SW $\frac{1}{4}$ of
Section 10, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
of Section 15, Township 20 South, Range
21 East, NMPM, Eddy County, New Mexico,
containing a total of 1000.00 acres.

LEASE NUMBER: 1-07X6-3014382 (File 3014382)
SERIAL NUMBER: NM 9798
ORR RESERVED: 4X
DATE: July 1, 1969
LESSOR: The United States of America
LESSEE: Cities Service Oil Company

DESCRIPTION: NE $\frac{1}{4}$ of Section 23, Lots 1, 2, 3, 4, W $\frac{1}{2}$
E $\frac{1}{2}$, W $\frac{1}{2}$ of Section 24, Township 20 South,
Range 21 East, NMPM, Eddy County, New
Mexico, containing a total of 792.00
acres, more or less.

LEASE NUMBER: 1-07X6-3014410 (File 3014410)
SERIAL NUMBER: NM 883
ORR RESERVED: 5X
DATE: December 1, 1966
LESSOR: The United States of America
LESSEE: Cities Service Oil Company

DESCRIPTION: N $\frac{1}{2}$, SW $\frac{1}{4}$ of Section 21, NW $\frac{1}{4}$ of Section 22,
Township 20 South, Range 21 East, NMPM,
Eddy County, New Mexico, containing a
total of 640.00 acres.

EXHIBIT "A"
SCHEDULE OF OIL AND GAS LEASES
Page Two

LEASE NUMBER: 1-07X6-3014496 (File 3014496)
STATE LEASE NO.: LG-0176
DATE: May 1, 1972
LESSOR: State of New Mexico
LESSEE: Cities Service Oil Company
RECORDING DATA: May 4, 1973, at 2:05 P.M. in Book 99,
Page 934 of the Miscellaneous Records of
Eddy County, New Mexico

DESCRIPTION: S $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 9, containing 80.00 acres;
SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 15, containing
80.00 acres; all in Township 20 South, Range
21 East, Eddy County, New Mexico, containing
a total of 160.00 acres.

EXHIBIT "3" - Attached to and made a part of Farmout Contract dated June 8, 1973, between CITIES SERVICE OIL COMPANY and ROBERTS, KOCH AND CARTWRIGHT.

ASSIGNMENT OF OPERATING RIGHTS

KNOW ALL MEN BY THESE PRESENTS that CITIES SERVICE OIL COMPANY, a Delaware corporation, whose address is P. O. Box 300, Tulsa, Oklahoma 74102, herein called "Assignor," in consideration of Ten Dollars (\$10.00) and other valuable considerations paid, does hereby grant, convey, sell, assign and transfer unto

ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, herein called "Assignee,"

operating rights from the surface down to and including, but not below, the depth of _____ feet (depth to be inserted in accordance with the contract to which this Exhibit is attached) under the hereinafter described lands, to-wit:

(Leases and lands to be inserted to be in accordance with that certain Farmout Contract to which this Exhibit is attached)

1. There is excepted and reserved from the leases and lands assigned herein all rights granted by said leases below the depth to which this Assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth and an overriding royalty of 28.47213% of one-sixteenth of eight-eighths (1/16 of 8/8) of all oil, casinghead gas, gas, condensate and/or distillate and other minerals produced from the lands assigned herein under said leases, with the right to convert the overriding royalty of 28.47213% of one-sixteenth of eight-eighths (1/16 of 8/8) to a net 14.236065% working interest.

2. (a) Within sixty (60) days after the completion of a producing well on the lands covered hereby or on a spacing unit which includes any of the said lands, Assignee shall furnish Assignor with an itemized statement of the cost of drilling, testing, completing and equipping such well, together with an inventory of the cost of operations and the quantities and qualities of oil, casinghead gas, gas, condensate and/or distillate and other minerals produced from such well, together with the amount of proceeds from the sale of such production in the preceding month, such reports, together with a complete well record shall be furnished Assignor, Cities Service Oil Company, P. O. Box 300, Tulsa, Oklahoma 74102, Attention: Property Services Manager, Production Division.

(b) Assignee shall immediately notify Assignor when the value of all oil, casinghead gas, gas, distillate and/or condensate and other minerals produced and saved from each such well (together with the processed value, if any, of such production and the proceeds from the sale of any material and equipment from said well) less the Lessor's royalty and Assignor's overriding royalty, equals one hundred percent (100%) of the total cost and expense of drilling, testing, completing and equipping the said well (including one hundred percent (100%) of the cost of operations incurred up to the time such value equals the total cost). The notice provided for herein shall be given to Assignor to the attention of Manager, Land Department, Cities Service Oil Company, P. O. Box 300, Tulsa, Oklahoma 74102, and to the Property Services Manager, Production Division, and Assignor shall have the separate option as to each such well, to be exercised within thirty (30) days from receipt of said notice, either to convert its overriding royalty to a one-half (1/2) working interest or retain its overriding royalty.

(c) If Assignor converts to a one-half (1/2) working interest, Assignee shall assign to Assignor an undivided one-half (1/2) interest in the operating rights under leases herein assigned insofar as said leases cover lands within the spacing unit for such well, together with a proportionate one-half (1/2) interest (a net 14.236065%) in the said well and material and equipment therein and thereon; and such assignment to Assignor shall be free and clear of liens and encumbrances and Assignor shall release its overriding royalty to such lands. The effective date of Assignor's acquisition of a working interest and the release of its overriding royalty shall be the date that the value of production from said well equals the total cost of said well as provided in Paragraph 2. (b) hereof.

(For the purpose of computing the day in which the value of production equals said total cost, the overriding royalty payable to Assignor and the working interest income, together with all costs and expenses shall be calculated on a daily basis for the actual month in which the said value equals the said total cost. Said costs and expenses, including the overriding royalty payable to Assignor and/or the working interest income, shall be apportioned on a daily basis for said month and Assignee shall adjust costs, expenses and revenue to the day so calculated).

3. The overriding royalty herein excepted and reserved by Assignor is in addition to the royalty payable to Lessors under the terms of the leases herein assigned and is also in addition to any other royalty, overriding royalty or payment out of production to which said leases may be burdened.

(THE FOLLOWING PARAGRAPH TO BE INSERTED IF THE LEASE
ASSIGNED HEREIN IS A FEDERAL LEASE)

"It is agreed that the obligation to pay any overriding royalty or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of seventeen and one-half percent (17½%), shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less."

4. Each extension of the lease or leases covered hereby, in whole or in part, shall maintain and continue in effect the rights and interests reserved by Assignor in each lease so extended and in the land covered thereby.

Should a renewal or new lease or leases covering the land described or referred to in this Assignment, or a part of or interest in said land, or a part of or interest in such a lease, be acquired by Assignee, or by a third party wholly or partly for Assignee or Assignee's benefit, within ten (10) years from the date of expiration of the primary term of the lease covered hereby, or from the date of the expiration of the primary term of the lease covered hereby having the latest such date, if more than one lease is covered hereby, the rights and interests herein reserved by Assignor shall attach and apply to each such renewal or new lease, the lands described therein and the estate created thereby with the same result and effect as such reserved rights and interests attach and apply to the lease or leases assigned hereby, the land described or referred to herein and the estates created by such assigned lease or leases.

5. Assignor and Assignee each covenant and agree that it shall not create any lien, encumbrance or other burden upon the interest of the other party in the said lease.

6. Assignor and Assignee shall cooperate in the filing of all necessary reports or other information as may be required by any governmental agency with respect to said lease.

7. This Assignment is made subject to the provisions and conditions of that certain Farmout Contract dated June 8, 1973, between the said Assignor and the said Assignee.

8. Assignee shall drill all wells necessary to protect said leases from drainage through offset wells to said leases. In the event Assignee fails to comply with the express or implied covenants and conditions of said leases, Assignee shall, at Assignor's option, reassign the acreage remaining undrilled to Assignor, retaining around each producing well, if any, the lands attributed to such well under any valid well spacing rule or regulation of any governmental authority or attributed to such well for allowable purposes by any governmental authority.

9. If Assignee should decide to abandon any lease covered hereby or allow such lease to terminate for failure to develop same or for any other reason, Assignee shall notify Assignor in writing forty-five (45) days prior to the inten-

EXHIBIT "B"
ASSIGNMENT OF OPERATING RIGHTS
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ded effective date of such abandonment or termination and Assignor is granted the option, to be exercised within ten (10) days after the receipt of notice in writing of such purpose, to reacquire the rights assigned to Assignee hereunder free and clear of liens and encumbrances together with the material in and around the well then on said land and necessary in the operation of said well at a price equal to the reasonable salvage value of said materials, if any.

10. As to each and every well that Assignee drills on the lands described herein, or on lands within a pooled unit that includes any lands described herein, Assignee shall notify Assignor in writing of the following items:

- (a) The exact legal description of the location.
- (b) The date actual drilling is commenced.
- (c) The total depth drilled.
- (d) The date of completion.
- (e) Whether completed as a producer of oil and/or gas or as a dry hole.
- (f) The date any production commences.
- (g) The date any well is shut-in.
- (h) The date and amount of payment of any shut-in royalty.

Such written notice shall be given to Assignor within five (5) days after the occurrence of each of said items.

11. Assignee shall furnish free of cost to Assignor any and all well and geological information as is provided in Paragraph 2. of the hereinabove referred to contract.

12. Should Assignee commence any such well which will be drilling over the end of the primary term of any lease described herein, Assignee shall give Assignor written notice of such drilling at least ten (10) days prior to the end of such primary term.

13. Assignor reserves and is hereby granted a lien upon said leases herein assigned and all equipment placed on the lands described herein and Assignee's share of all minerals produced therefrom to secure the performance of the conditions and covenants herein on the part of Assignee and to secure the payment of any damages accruing to Assignor by reason of any breach of said conditions and covenants. This Assignment is expressly conditioned upon the faithful performance by the Assignee of all the conditions and covenants herein on its part to be performed.

14. Unless otherwise expressly provided for herein, any notice to be given pursuant to this Assignment by Assignee shall be given to Assignor to the attention of Manager of Land Department, Cities Service Oil Company, P. O. Box 300, Tulsa, Oklahoma 74102.

15. In the event Assignee desires to sell all or any part of its interest in said leases, Assignor shall have a preferential right to purchase the same. In such event, Assignee shall promptly communicate in writing to Assignor the offer received by it from a purchaser ready, able, and willing to purchase the same, together with the name and address of such prospective purchaser, and Assignor shall thereupon have an option for a period of ten (10) days after receipt by said Manager of said notice to purchase Assignee's interest at the price offered by the prospective purchaser. No assignment hereunder shall be recognized until Assignor has been furnished with a copy of the recorded instrument.

16. Assignor reserves the option, to be exercised from time to time and as often as desired, of purchasing all of the Assignee's interest in the oil, gas, casinghead gas and other minerals produced from and/or allocated to the lands covered by this Assignment; for oil at the posted market price offered by responsible purchasers in the field on the date of each delivery; for gas at the price prevailing in the field at the time or times of the exercise of this option; and for casinghead gas at the average prevailing price being paid by responsible purchasers in the field.

EXHIBIT "B"
ASSIGNMENT OF OPERATING RIGHTS
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TO HAVE AND TO HOLD the same unto the said Assignee, its successors and assigns, according to the terms and conditions of said leases, the said Assignee to perform all of such conditions and covenants thereof as to the portion of lands herein assigned, but subject however to the provisions and conditions of said contract hereinbefore mentioned. This Assignment is made without warranty of title either express or implied.

The reservations herein made and the provisions and covenants contained herein shall attach to and run with the lease or leases assigned and the land herein described or referred to and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

IN WITNESS WHEREOF, the said CITIES SERVICE OIL COMPANY, as Assignor, has executed this instrument this _____ day of _____, 19_____.

CITIES SERVICE OIL COMPANY

By (AN EXHIBIT - NOT FOR SIGNATURE)
Attorney-in-Fact

(ADD ACKNOWLEDGMENT)

EXHIBIT "C" - Attached to and made a part of Farmout Contract dated June 8, 1973, between CITIES SERVICE OIL COMPANY and ROBERTS, KOCH AND CARTWRIGHT.

ASSIGNMENT OF OPERATING RIGHTS

KNOW ALL MEN BY THESE PRESENTS that CITIES SERVICE OIL COMPANY, a Delaware corporation, whose address is P. O. Box 300, Tulsa, Oklahoma 74102, herein called "Assignor," in consideration of Ten Dollars (\$10.00) and other valuable considerations paid, does hereby grant, convey, sell, assign and transfer unto

ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, herein called "Assignee,"

an undivided one-half (1/2) of its interest in operating rights from the surface down to and including, but not below, the depth of _____ feet (depth to be inserted in accordance with the contract to which this Exhibit is attached) under the hereinafter described lands, to-wit:

(Leases and lands to be inserted to be in accordance with that certain Farmout Contract to which this Exhibit is attached)

1. There is excepted and reserved from the leases and lands assigned herein all rights granted by said leases below the depth to which this Assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth.

2. Each extension of the lease or leases covered hereby, in whole or in part, shall maintain and continue in effect the rights and interests reserved by Assignor in each lease so extended and in the land covered thereby.

Should a renewal or new lease or leases covering the land described or referred to in this Assignment, or a part of or interest in said land, or a part of or interest in such a lease, be acquired by Assignee, or by a third party wholly or partly for Assignee or Assignee's benefit, within ten (10) years from the date of expiration of the primary term of the lease covered hereby, or from the date of the expiration of the primary term of the lease covered hereby having the latest such date, if more than one lease is covered hereby, the rights and interests herein reserved by Assignor shall attach and apply to each such renewal or new lease, the lands described therein and the estate created thereby with the same result and effect as such reserved rights and interests attach and apply to the lease or leases assigned hereby, the land described or referred to herein and the estates created by such assigned lease or leases.

3. Assignor and Assignee each covenant and agree that it shall not create any lien, encumbrance or other burden upon the interest of the other party in the said lease.

4. Assignor and Assignee shall cooperate in the filing of all necessary reports or other information as may be required by any governmental agency with respect to said lease.

5. This Assignment is made subject to the provisions and conditions of that certain Farmout Contract dated June 8, 1973, between the said Assignor and the said Assignee.

6. In the event Assignee desires to sell all or any part of its interest in said leases, Assignor shall have a preferential right to purchase the same. In such event, Assignee shall promptly communicate in writing to Assignor the offer received by it from a purchaser ready, able, and willing to purchase the same, together with the name and address of such prospective purchaser, and Assignor shall thereupon have an option for a period of ten (10) days after receipt by said Manager of said notice to purchase Assignee's interest at the price offered by the prospective purchaser. No assignment hereunder shall be recognized until Assignor has been furnished with a copy of the recorded instrument.

EXHIBIT "C"
ASSIGNMENT OF OPERATING RIGHTS
Page Two

7. Assignor reserves the option, to be exercised from time to time and as often as desired, of purchasing all of the Assignee's interest in the oil, gas, casinghead gas and other minerals produced from and/or allocated to the lands covered by this Assignment; for oil at the posted market price offered by responsible purchasers in the field on the date of each delivery; for gas at the price prevailing in the field at the time or times of the exercise of this option; and for casinghead gas at the average prevailing price being paid by responsible purchasers in the field.

TO HAVE AND TO HOLD the same unto the said Assignee, its successors and assigns, according to the terms and conditions of said leases, the said Assignee to perform all of such conditions and covenants thereof as to the portion of lands herein assigned, but subject however to the provisions and conditions of said contract hereinbefore mentioned. This Assignment is made without warranty of title either express or implied.

The reservations herein made and the provisions and covenants contained herein shall attach to and run with the lease or leases assigned and the land herein described or referred to and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

IN WITNESS WHEREOF, the said CITIES SERVICE OIL COMPANY, as Assignor, has executed this instrument this _____ day of _____, 19_____.

CITIES SERVICE OIL COMPANY

By (AN EXHIBIT - NOT FOR SIGNATURE)*
Attorney-in-Fact

(ADD ACKNOWLEDGMENT)

Roberts, Koch & Cartwright

205 Building of the Southwest

MIDLAND, TEXAS 79701

A/C 915 - 683 - 6231

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

May 28, 1973

Re: Deer Canyon Unit Agreement
T-20-S, R-21-E
Eddy County, New Mexico

To: All Royalty Owners
Deer Canyon Unit Area

Ladies, Gentlemen:

On behalf of Roberts, Koch & Cartwright of Midland, Texas, I am enclosing to each of you owning a royalty interest or production payment, one copy of the Unit Agreement and ten copies of Consent and Ratification forms to the Unit Agreement.

As can be noted from Section 9 of the Agreement, Roberts, Koch and Cartwright propose to drill, or cause to be drilled, a well to a depth sufficient to penetrate the upper Mississippian formation (Barnett Shale) at a depth of around 8700 feet. This test will be located in the vicinity of the common corner of sections 10, 11, 14 and 15.

Exhibit "A" is a plat of the area, and Exhibit "B" is a schedule of the lands and leases within the area. Your interest will appear on Exhibit "B". The form of Unit Agreement is prescribed by Federal Regulations and cannot be changed. Thousands of acres have been unitized under this form in all the Rocky Mountain-Public Domain States, and as a general rule the royalty owners find no objection.

The U. S. Geological Survey also requires that all owners of any interest in the Unit Area be contacted and their joinder in the Unit requested.

For the information of those of you not familiar with Units of this nature, (Federal Exploratory) I might add that a great majority of all the deeper wildcats in Southeast New Mexico

page 2

are drilled on units of one form or another, and there are several of these Exploratory units now producing in South-east New Mexico. Due to increased drilling costs and deeper depths penetrated, units of this exploratory type are becoming more and more necessary and it is doubtful if the Initial Test Well mentioned above can be drilled without unitization.

As a result, we hereby request your joinder in the Unit Agreement and hereby request that you execute all ten copies of the Consent and Ratification form before a Notary Public; keeping the Unit Agreement and one copy of the Consent for your file and returning nine executed Consents in the envelope provided.

Both husband and wife must sign even though Exhibit "B" shows the name of only one party. If you are not married, please state your marital status in the acknowledgment, i.e., a single person, a widow, or widower, etc. Thank you, and we will appreciate your execution and return of the Consents as soon as possible. The well is scheduled to be drilling prior to October 31, 1973. If you have any questions, please feel free to call collect.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch

CEK:wc

Enclosures

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

June 21, 1973

To: All Royalty Owners
Deer Canyon Unit Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above together with ten copies of Consent and Ratification Form to be signed before a Notary Public and nine copies returned to us. To date we have not heard from you nor received the executed Consents. If you did not receive these instruments please advise; otherwise, we will expect to receive them in the very near future.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:wc

Tract #13 - Marurice W. Grundy 3% ORR

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

No. 225328

SENT TO Mr. M. W. Grundy	POST-MARK OR DATE 6/21/73
STREET AND NO. 842 National Bank of Commerce Bldg	
P.O., STATE AND ZIP CODE New Orleans, La 70112	
OPTIONAL SERVICES FOR ADDITIONAL FEES	
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered 15¢ With delivery to addressee only 85¢ 2. Shows to whom, date and where delivered ... 35¢ With delivery to addressee only 85¢
DELIVER TO ADDRESSEE ONLY 50¢	
SPECIAL DELIVERY (extra fee required)	

PS Form 3800 NO INSURANCE COVERAGE PROVIDED— (See other side)
Apr. 1971 NOT FOR INTERNATIONAL MAIL 620:1973 O-400

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

Show to whom, date and address where delivered

Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in) M. W. Grundy
CERTIFIED NO. 225328	By: <i>[Signature]</i> SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.	<i>[Signature]</i>
DATE DELIVERED 6/22/73	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code) 5914th

205 Building of the Southwest

MIDLAND, TEXAS 79701

A/C 915 - 683 - 6231

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

August 2, 1973

To: All Royalty Owners
Deer Canyon Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above with ten copies of Consent and Ratification Form to be signed before Notary Public and nine copies returned. To date we have not received these executed Consents and it is very important that they be returned at the earliest possible date so that all our paper work be completed and the well begun. We did send a follow up letter to you on June 21, 1973 and received return receipt from you.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:wc

Tract #13 - Marurice W. Grundy 3% ORR

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO Mr. M. W. Grundy		POSTMARK OR DATE 8/2/73
STREET AND NO. 842 National Bank of Comm. Bldg.		
P.O., STATE AND ZIP CODE New Orleans, La. 70112		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered With delivery to addressee only	15¢ 55¢
	2. Shows to whom, date and where delivered With delivery to addressee only	35¢ 65¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (extra fee required)		

Nu. 225336

PS Form 3800 Apr. 1971 NO INSURANCE COVERAGE PROVIDED— (See other side) NOT FOR INTERNATIONAL MAIL * GPO: 1973 O-480-745

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Show to whom, date and address where delivered Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO. 225336	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in) M. W. Grundy
CERTIFIED NO. 225336	BY: <i>[Signature]</i>
INSURED NO.	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY <i>[Signature]</i>
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

Roberts, Koch & Cartwright

205 Building of the Southwest

MIDLAND, TEXAS 79701

A/C 915 - 633 - 6331

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

May 28, 1973

Re: Deer Canyon Unit Agreement
T-20-S, R-21-E
Eddy County, New Mexico

To: All Royalty Owners
Deer Canyon Unit Area

Ladies, Gentlemen:

On behalf of Roberts, Koch & Cartwright of Midland, Texas, I am enclosing to each of you owning a royalty interest or production payment, one copy of the Unit Agreement and ten copies of Consent and Ratification forms to the Unit Agreement.

As can be noted from Section 9 of the Agreement, Roberts, Koch and Cartwright propose to drill, or cause to be drilled, a well to a depth sufficient to penetrate the upper Mississippian formation (Barnett Shale) at a depth of around 8700 feet. This test will be located in the vicinity of the common corner of sections 10, 11, 14 and 15.

Exhibit "A" is a plat of the area, and Exhibit "B" is a schedule of the lands and leases within the area. Your interest will appear on Exhibit "B". The form of Unit Agreement is prescribed by Federal Regulations and cannot be changed. Thousands of acres have been unitized under this form in all the Rocky Mountain-Public Domain States, and as a general rule the royalty owners find no objection.

The U. S. Geological Survey also requires that all owners of any interest in the Unit Area be contacted and their joinder in the Unit requested.

For the information of those of you not familiar with Units of this nature, (Federal Exploratory) I might add that a great majority of all the deeper wildcats in Southeast New Mexico

ROSS D. ROBERTS - ENGINEER
 CHARLES E. KOCH - LANDMAN
 JACK C. CARTWRIGHT - GEOLOGIST

June 21, 1973

To: All Royalty Owners
 Deer Canyon Unit Area

Re: Deer Canyon Unit Agreement
 Consent & Ratification Form
 Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above together with ten copies of Consent and Ratification Form to be signed before a Notary Public and nine copies returned to us. To date we have not heard from you nor received the executed Consents. If you did not receive these instruments please advise; otherwise, we will expect to receive them in the very near future.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
 Charles E. Koch

CEK:wc

Tract #14 - Ben S. Brooks 5% ORR

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. Ben S. Brooks		6/21/73
STREET AND NO.		
P. O. Box 1971		
P.O., STATE AND ZIP CODE		
Oklahoma City, Oklahoma 73101		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered With delivery to addressee only	15¢ 65¢
	2. Shows to whom, date and where delivered With delivery to addressee only	35¢ 55¢
	DELIVER TO ADDRESSEE ONLY	50¢
	SPECIAL DELIVERY (extra fee required)	

No. 225332

PS Form 3840 NO INSURANCE COVERAGE PROVIDED— (See other side)
 Apr. 1971 NOT FOR INTERNATIONAL MAIL * 750-1373 0-4

SENDER: Be sure to follow instructions on other side

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 (Additional charges required for these services)

Show to whom, date and address Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
	Ben S Brooks
CERTIFIED NO.	By: <i>[Signature]</i>
225332	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
REQUIRED NO.	
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)
JUL 8 - 1973	

August 2, 1973

To: All Royalty Owners
Deer Canyon Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above with ten copies of Consent and Ratification Form to be signed before Notary Public and nine copies returned. To date we have not received these executed Consents and it is very important that they be returned at the earliest possible date so that all our paper work be completed and the well begun. We did send a follow up letter to you on June 21, 1973 and received return receipt from you.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:wc

Tract #14 - Ben S. Brooks 5% ORR 22

No. 225334

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE 8/2/73
Mr. Ben S. Brooks		
STREET AND NO. P. O. Box 1971		
P.O., STATE AND ZIP CODE Oklahoma City, Oklahoma 73101		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered with delivery to addressee only	15¢
	2. Shows to whom, date and where delivered with delivery to addressee only	35¢
	DELIVER TO ADDRESSEE ONLY	35¢
	SPECIAL DELIVERY (extra fee required)	50¢

PS Form 3800
NO INSURANCE COVERAGE PROVIDED—
EXCEPT FOR INTERNATIONAL MAIL (See other side)
GPO: 1972 O-429-713

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

Show to whom, date and address where delivered

Deliver ONLY to addressee

RECEIPT
Received the numbered article described below

REGISTERED NO. 225334

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
Ben S. Brooks

BY: *Barbara Harris*
SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED 7 1973

SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)