

CHARLES E. NEARBURG, d/b/a	§	IN THE DISTRICT COURT
NEARBURG EXPLORATION COMPANY,	§	
	§	
PLAINTIFF,	§	
	§	
VS.	§	
	§	
JOHN H. TRIGG AND PAULINE V.	§	
TRIGG, AS TRUSTEES OF THE	§	
TRIGG FAMILY TRUST, YATES	§	
PETROLEUM CORPORATION,	§	OF MIDLAND COUNTY, TEXAS
YATES DRILLING COMPANY,	§	
ABO PETROLEUM CORPORATION,	§	
MYCO INDUSTRIES, INC.,	§	
H. M. BETTIS, INC., TURNCO	§	
INC., L. E. OPPERMAN, BETTIS	§	
BROTHERS, INC., M. CRAIG	§	
CLARK AND DAVID CROMWELL,	§	
	§	
DEFENDANTS.	§	142ND JUDICIAL DISTRICT

SPECIAL APPEARANCES OF YATES PETROLEUM CORPORATION, YATES DRILLING COMPANY, AND ABO PETROLEUM CORPORATION, PURSUANT TO RULE 120a OF THE TEXAS RULES OF CIVIL PROCEDURE, TO OBJECT TO ANY CLAIMED JURISDICTION OF THE COURT OVER THE CORPORATE PERSONS AND PROPERTIES OF THESE DEFENDANTS

TO THE HONORABLE JUDGE OF SAID COURT:

Yates Petroleum Corporation, Yates Drilling Company and Abo Petroleum Corporation, who have been named as Defendants in the captioned case, acting by the undersigned attorneys, make and file this Special Appearance to object to any claim of jurisdiction by the Court over either the corporate persons of these Defendants or the properties the subject of this suit on the ground that such corporate persons and properties are not amenable to either the jurisdiction of this Court or the process of the courts of this State, and move the Court to dismiss this action as brought against these Defendants for want of jurisdiction of the corporate persons and property of these Defendants, respectfully showing:

EGER \_\_\_\_\_ DATE \_\_\_\_\_

BSS ✓ DATE 6-16-92

RECEIVED JUN 15 1992

1.

Each of Yates Petroleum Corporation, Yates Drilling Company and Abo Petroleum Corporation, who have been named as Defendants in the captioned case, are corporations duly organized and existing under the laws of the State of New Mexico, having principal offices in Artesia, New Mexico. None of these corporation is qualified to do business in the State of Texas, none of them is conducting business in the State of Texas, and none are amenable to process issued by the courts of the State of Texas in this case. Accordingly, these Defendants move the Court to dismiss this suit as brought against them.

2.

Without in anywise waiving the foregoing special appearances, these Defendants move the Court to dismiss this action against them for want of jurisdiction of the subject matter, namely, the estates in oil, gas and other hydrocarbons in Section 27, Township-18-South, Range-37-East, N.M.P.M., Eddy County, New Mexico, and the interests therein, and for want of jurisdictional power to adjudicate matters involved in this suit that are exclusively entrusted to the courts and administrative agencies, state or federal, within the territorial jurisdiction of the State of New Mexico.

3.

Without in anywise waiving the foregoing special appearances, these Defendants would show that on consolidated competing applications heard on April 30 1992, by the Oil Conservation Division, Energy, Minerals, and Natural Resources Department of the State of New Mexico, for compulsory pooling of interests and for appointment of the operator of the unit so pooled (being Case No. 10467, filed by Yates Petroleum Corporation, and 10473, later filed by Nearburg Exploration Company, an assumed name of Charles E. Nearburg, Plaintiff in this case) the Oil Conservation Division, on

June 3, 1992, ordered the compulsory pooling of the North Half (N/2) of said Section 27 from a depth of 5,000 feet beneath the surface to the base of the Morrow Formation underlying said land, and ordered that Yates Petroleum Corporation be the operator of the pooled unit under the terms and provisions set forth in the June 3, 1992 Order of the Oil Conservation Division. Judicial review of this Order is exclusively within the power, jurisdiction and domain of New Mexico courts following New Mexico statutory judicial review procedures that deal with New Mexico lands, and interests in oil, gas and other hydrocarbons therein or that may be produced therefrom, in judicial review of orders of the Oil Conservation Division, Energy, Minerals, and Natural Resources Department of the State of New Mexico. As the first state to adopt compulsory pooling and the statutes and procedures for resolving conflicts involving compulsory pooling and the designation of the appropriate operator of a pooled unit, the State of New Mexico is quite adept at resolving any issues which the Plaintiff has sought to litigate by its commencement of this action.

4.

Without waiver of the special appearances hereinabove set forth, in addition to its appointment as operator of the New Mexico properties the subject of this suit, as ordered by the New Mexico Oil Conservation Division, these Defendants would show that by the express provisions of the March 7, 1967 Operating Agreement between Sinclair Oil Corporation and John H. Trigg and wife, Pauline V. Trigg, Yates Petroleum Corporation has been duly and timely selected as the Operator of the New Mexico oil and gas properties the subject of this proceeding by those entitled under the provisions of the Operating Agreement to make such selection, a process that was completed in December, 1991.

5.

Without in anywise waiving the special appearances hereinabove set forth, these Defendants would show that, this being an action for declaratory judgment, these Defendants are entitled to the award of their reasonable attorneys' fees.

WHEREFORE, premises considered, it is prayed this action be dismissed against these named parties defendant for lack of jurisdiction of their corporate persons and of the subject matter of this suit, or, in the alternative, without waiving the special appearances of these Defendants, because of the fact, and the New Mexico Order, that Yates Petroleum Corporation is the duly constituted Operator of the oil and gas leasehold estates in Section 27, Township-18-South, Range-37-East, N.M.P.M., Eddy County, New Mexico, from 5,000 feet beneath the surface down to the base of the Morrow Formation, and that these parties have their costs and reasonable attorneys' fees.

Respectfully submitted,  
KERR, FITZ-GERALD & KERR, L.L.P.  
P. O. Box 511  
Midland, Texas 79702  
Telephone No. 915/683-5291  
Telecopier No. 915/683-5257

By:   
WM. MONROE KERR  
State Bar I.D. No. 11347000

ATTORNEYS FOR DEFENDANTS  
YATES PETROLEUM CORPORATION,  
YATES DRILLING COMPANY AND  
ABO PETROLEUM CORPORATION

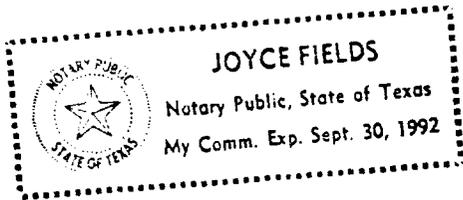
THE STATE OF TEXAS §  
COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared, WM. MONROE KERR, who, on his oath by me first duly administered, deposed and said:

The law firm of Kerr, Fitz-Gerald & Kerr, L.L.P., Midland, Texas, and I, as a member of that firm, have been engaged by John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family Trust, to represent them in Cause No. A-39,066 in the District Court of Midland County, Texas, 142nd Judicial District, to make a special appearance for them to obtain the dismissal of the case against them for want of jurisdiction of their corporate persons, jurisdiction of the subject matter, and otherwise to present their defenses therein. I know of my own knowledge and investigation that Yates Petroleum Corporation, Yates Drilling Company and Abo Petroleum Corporation are New Mexico corporations, have their principal offices and places of business in Artesia, New Mexico, and that none of such corporations are qualified to do business in the State of Texas. I also know that the subject matter of the cited lawsuit exclusively involves rights in lands and interests in oil, gas and other hydrocarbons in such lands, all of which are situated in Eddy County, New Mexico. Based on my factual knowledge, study and investigation, none of Yates Petroleum Corporation, Yates Drilling Company or Abo Petroleum Corporation are amenable to process issued by the courts of this State in the cited case.

  
\_\_\_\_\_  
WM. MONROE KERR

SUBSCRIBED AND SWORN TO BEFORE ME on the 12<sup>th</sup> day of June, 1992, to certify which witness my hand and official seal.



Joyce Fields  
Notary Public in and for  
The State of Texas

My commission expires: \_\_\_\_\_, 19\_\_.

CERTIFICATE OF SERVICE

On this the 12<sup>th</sup> day of June, 1992, a true and correct copy of the above Special Appearance of Yates Petroleum Corporation, Yates Drilling Company, and Abo Petroleum Corporation was placed in the United States Mail, Certified Mail, return receipt requested, postage prepaid, addressed to counsel as follows:

John A. Davis, Esquire  
Kemp, Smith, Duncan & Hammond  
P. O. Box 2796  
Midland, Texas 79702

WM. MONROE KERR  
WM. MONROE KERR



which the courts of the State of Texas have no subject matter jurisdiction. For this reason, the action should be dismissed for want of jurisdiction of the subject matter.

2.

This suit as brought by Plaintiff seeks a declaration that Plaintiff is or should be the Operator of the New Mexico oil and gas properties the subject of this suit. This issue has twice been rendered moot because Yates Petroleum Corporation is the duly constituted operator of the property. After Sinclair Oil Corporation, in November, 1991, assigned its undivided one-half (1/2) interest in the leasehold estate in the North Half (N/2) of said Section 27 to Plaintiff, and within sixty (60) days thereafter, the owners of the remaining fifty percent (50%) interest unanimously selected Yates Petroleum Corporation to be the operator of the properties. This selection process conformed to the provisions of Paragraph 19 of the March 7, 1967 Operating Agreement made and entered into between the Sinclair Oil Corporation and John H. Trigg and Pauline V. Trigg. Furthermore, on June 3, 1992, the Oil Conservation Division, Energy, Minerals, and Natural Resources Department of the State of New Mexico entered its order based on an April 30, 1992 hearing in which Plaintiff fully participated, that Yates Petroleum Corporation be designated as operator of the oil, gas and other hydrocarbons leasehold estate in the North Half (N/2) of said Section 27 from a depth of 5,000 feet beneath the surface down to the base of the Morrow Formation, pursuant to the terms and provisions of the June 3, 1992 Order. These Oil Conservation Division proceedings dealt with competing applications for compulsory pooling and the appointment of the operator, the first of which, Case No. 10467 was filed by Yates Petroleum Corporation, and the other of which was later filed by Plaintiff. Among other findings and conclusions of the Oil Conservation Division was that under the New Mexico compulsory pooling statutes, it was in their

power and was their duty to select the best qualified operator, which they found to be Yates Petroleum Corporation. This order is subject to judicial review under the statutes of the State of New Mexico by New Mexico courts, and none other. Thus, Plaintiff's cause of action has been rendered moot on two separate grounds. Accordingly, this case should be dismissed as moot, as well as because of the Court's lack of subject matter jurisdiction.

3.

The Court does not have jurisdiction of the persons of several of the Defendants who are necessary parties to this suit, namely, John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family Trust, Yates Petroleum Corporation, Yates Drilling Company, and Abo Petroleum Corporation. The only courts that have jurisdiction of the subject matter of this suit and of the named parties, and the power to obtain jurisdiction of the persons of all of the necessary parties to this suit, within the concepts of constitutionally protected due process of law, are courts having territorial jurisdiction of the State of New Mexico, whose jurisdiction is sufficient to determine the rights and issue in New Mexico real property interests, and to afford judicial review to action of the New Mexico Oil Conservation Division. Thus, a further reason is given for the Court to dismiss this action.

4.

Except as these Defendants may hereafter admit or stipulate, each of these Defendants deny all of the allegations contained in the Plaintiff's Original Petition and demand strict proof thereof.

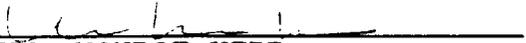
5.

This being a declaratory judgment action, these Defendants are entitled to recovery of their reasonable attorneys' fees.

WHEREFORE, premises considered, it is prayed that the Court dismiss this suit on the grounds hereinabove set forth, or, in the alternative, that they have final judgment that Plaintiff take

nothing by this suit and that these Defendants have their costs and attorneys' fees.

Respectfully submitted,  
KERR, FITZ-GERALD & KERR, L.L.P.  
P. O. Box 511  
Midland, Texas 79702  
Telephone No. 915/683-5291  
Telecopier No. 915/683-5257

By:   
WM. MONROE KERR  
State Bar I.D. No. 11347000

ATTORNEYS FOR DEFENDANTS  
MYCO INDUSTRIES, INC., H. M.  
BETTIS, INC., TURNCO INC.,  
L. E. OPPERMAN, BETTIS  
BROTHERS, INC., M. CRAIG  
CLARK AND DAVID CROMWELL

CERTIFICATE OF SERVICE

On this the 15<sup>th</sup> day of June, 1992, a true and correct copy of the above Original Answer of Defendants Myco Industries, Inc., H. M. Bettis, Inc., Turnco Inc., L. E. Opperman, Bettis Brothers, Inc., M. Craig Clark and David Cromwell was placed in the United States Mail, Certified Mail, return receipt requested, postage prepaid, addressed to counsel as follows:

John A. Davis, Esquire  
Kemp, Smith, Duncan & Hammond  
P. O. Box 2796  
Midland, Texas 79702

  
WM. MONROE KERR

THE STATE OF TEXAS  
COUNTY OF MIDLAND

I, Vivian Wood, Clerk of the 142ND JUDICIAL DISTRICT of Midland County, Texas, do hereby certify that the foregoing is a true and correct copy.

GIVEN UNDER MY HAND AND SEAL OF SAID COURT this 12TH day of AUGUST

A.D., 1992.

VIVIAN WOOD, District Clerk by Angie Welch, Deputy.  
ANGIE WELCH



1.

Defendants' legal residence is outside the State of Texas and is in Chaves County, New Mexico. The persons of these Defendants are not amenable to process issued by the courts of this State in this case, and Defendants move the Court to dismiss this suit as brought against them.

2.

Without in anywise waiving the foregoing special appearances, these Defendants move the Court to dismiss this action against them for want of jurisdiction of the subject matter, namely, the estates in oil, gas and other hydrocarbons in Section 27, Township-18-South, Range-37-East, N.M.P.M., Eddy County, New Mexico, and the interests therein, and for want of jurisdictional power to adjudicate matters involved in this suit that are exclusively entrusted to the courts and administrative agencies, state or federal, within the territorial jurisdiction of the State of New Mexico.

3.

Without in anywise waiving the foregoing special appearances, these Defendants would show that on consolidated competing applications heard on April 30 1992, by the Oil Conservation Division, Energy, Minerals, and Natural Resources Department of the State of New Mexico, for compulsory pooling of interests and for appointment of the operator of the unit so pooled (being Case No. 10467, filed by Yates Petroleum Corporation, and 10473, later filed by Nearburg Exploration Company, an assumed name of Charles E. Nearburg, Plaintiff in this case) the Oil Conservation Division, on June 3, 1992, ordered the compulsory pooling of the North Half (N/2) of said Section 27 from a depth of 5,000 feet beneath the surface to the base of the Morrow Formation underlying said land, and ordered that Yates Petroleum Corporation be the operator of the pooled unit under the terms and provisions set forth in the June 3,

1992 Order of the Oil Conservation Division. Judicial review of this Order is exclusively within the power, jurisdiction and domain of New Mexico courts following New Mexico statutory judicial review procedures that deal with New Mexico lands, and interests in oil, gas and other hydrocarbons therein or that may be produced therefrom, in judicial review of orders of the Oil Conservation Division, Energy, Minerals, and Natural Resources Department of the State of New Mexico. As the first state to adopt compulsory pooling and the statutes and procedures for resolving conflicts involving compulsory pooling and the designation of the appropriate operator of a pooled unit, the State of New Mexico is quite adept at resolving any issues which the Plaintiff has sought to litigate by its commencement of this action.

4.

Without waiver of the special appearances hereinabove set forth, in addition to its appointment as operator of the New Mexico properties the subject of this suit, as ordered by the New Mexico Oil Conservation Division, these Defendants would show that by the express provisions of the March 7, 1967 Operating Agreement between Sinclair Oil Corporation and John H. Trigg and wife, Pauline V. Trigg, Yates Petroleum Corporation has been duly and timely selected as the Operator of the New Mexico oil and gas properties the subject of this proceeding by those entitled under the provisions of the Operating Agreement to make such selection, a process that was completed in December, 1991.

5.

Without in anywise waiving the special appearances hereinabove set forth, these Defendants would show that, this being an action for declaratory judgment, these Defendants are entitled to the award of their reasonable attorneys' fees.

WHEREFORE, premises considered, it is prayed this action be dismissed against these named parties defendant for lack of

jurisdiction of their persons and of the subject matter of this suit, or, in the alternative, without waiving the special appearances of these Defendants, because of the fact, and the New Mexico Order, that Yates Petroleum Corporation is the duly constituted Operator of the oil and gas leasehold estates in Section 27, Township-18-South, Range-37-East, N.M.P.M., Eddy County, New Mexico, from 5,000 feet beneath the surface down to the base of the Morrow Formation, and that these parties have their costs and reasonable attorneys' fees.

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Telecopier No. 915/683-5257

By: WM. MONROE KERR  
WM. MONROE KERR  
State Bar I.D. No. 11347000

ATTORNEYS FOR DEFENDANTS  
JOHN H. TRIGG AND PAULINE V.  
TRIGG, TRUSTEES OF THE TRIGG  
FAMILY TRUST

THE STATE OF TEXAS §  
COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared, WM. MONROE KERR, who, on his oath by me first duly administered, deposed and said:

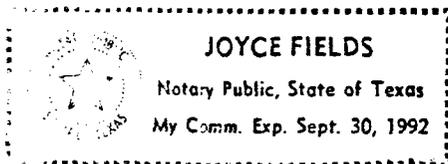
The law firm of Kerr, Fitz-Gerald & Kerr, L.L.P., Midland, Texas, and I, as a member of that firm, have been engaged by John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family

SPECIAL APPEARANCE OF JOHN H. TRIGG AND PAULINE V. TRIGG AS TRUSTEES OF THE TRIGG FAMILY TRUST, PURSUANT TO RULE 120a OF THE TEXAS RULES OF CIVIL PROCEDURE, TO OBJECT TO ANY CLAIMED JURISDICTION OF THE COURT OVER THE PERSONS AND PROPERTIES OF THESE DEFENDANTS

Trust, to represent them in Cause No. A-39,066 in the District Court of Midland County, Texas, 142nd Judicial District, to make a special appearance for them to obtain the dismissal of the case against them for want of jurisdiction of their persons, jurisdiction of the subject matter, and otherwise to present their defenses therein. I know of my own knowledge that John H. Trigg and Pauline V. Trigg are residents of Chaves County, New Mexico, and that they there maintain the office and conduct the business affairs of the Trigg Family Trust which they serve as trustees. I also know that the subject matter of the cited lawsuit exclusively involves rights in lands and interests in oil, gas and other hydrocarbons in such lands, all of which are situated in Eddy County, New Mexico. Based on my factual knowledge, study and investigation, neither John H. Trigg nor Pauline V. Trigg, as Trustees of the Trigg Family Trust, are amenable to process issued by the courts of this State in the cited case.

  
WM. MONROE KERR

SUBSCRIBED AND SWORN TO BEFORE ME on the 12<sup>th</sup> day of June, 1992, to certify which witness my hand and official seal.



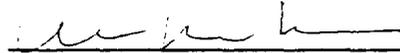
  
Notary Public in and for  
The State of Texas

My commission expires:  
\_\_\_\_\_, 19\_\_.

CERTIFICATE OF SERVICE

On this the 12<sup>th</sup> day of June, 1992, a true and correct copy of the above Special Appearance of John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family Trust, was placed in the United States Mail, Certified Mail, return receipt requested, postage prepaid, addressed to counsel as follows:

John A. Davis, Esquire  
Kemp, Smith, Duncan & Hammond  
P. O. Box 2796  
Midland, Texas 79702

  
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NEARBURG EXPLORATION COMPANY,	§	
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Yates Petroleum Corporation, Yates Drilling Company and Abo Petroleum Corporation, who have been named as Defendants in the captioned case, acting by the undersigned attorneys, make and file this Special Appearance to object to any claim of jurisdiction by the Court over either the corporate persons of these Defendants or the properties the subject of this suit on the ground that such corporate persons and properties are not amenable to either the jurisdiction of this Court or the process of the courts of this State, and move the Court to dismiss this action as brought against these Defendants for want of jurisdiction of the corporate persons and property of these Defendants, respectfully showing:

PGER \_\_\_\_\_ DATE \_\_\_\_\_

BSS ✓ DATE 6-16-92

RECEIVED JUN 15 1992

1.

Each of Yates Petroleum Corporation, Yates Drilling Company and Abo Petroleum Corporation, who have been named as Defendants in the captioned case, are corporations duly organized and existing under the laws of the State of New Mexico, having principal offices in Artesia, New Mexico. None of these corporation is qualified to do business in the State of Texas, none of them is conducting business in the State of Texas, and none are amenable to process issued by the courts of the State of Texas in this case. Accordingly, these Defendants move the Court to dismiss this suit as brought against them.

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By: 

WM. MONROE KERR  
State Bar I.D. No. 11347000

ATTORNEYS FOR DEFENDANTS  
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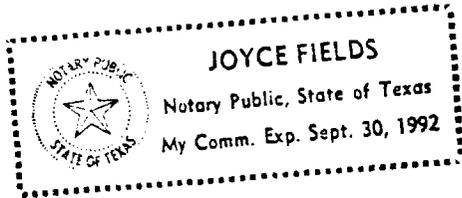
THE STATE OF TEXAS §  
COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared, WM. MONROE KERR, who, on his oath by me first duly administered, deposed and said:

The law firm of Kerr, Fitz-Gerald & Kerr, L.L.P., Midland, Texas, and I, as a member of that firm, have been engaged by John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family Trust, to represent them in Cause No. A-39,066 in the District Court of Midland County, Texas, 142nd Judicial District, to make a special appearance for them to obtain the dismissal of the case against them for want of jurisdiction of their corporate persons, jurisdiction of the subject matter, and otherwise to present their defenses therein. I know of my own knowledge and investigation that Yates Petroleum Corporation, Yates Drilling Company and Abo Petroleum Corporation are New Mexico corporations, have their principal offices and places of business in Artesia, New Mexico, and that none of such corporations are qualified to do business in the State of Texas. I also know that the subject matter of the cited lawsuit exclusively involves rights in lands and interests in oil, gas and other hydrocarbons in such lands, all of which are situated in Eddy County, New Mexico. Based on my factual knowledge, study and investigation, none of Yates Petroleum Corporation, Yates Drilling Company or Abo Petroleum Corporation are amenable to process issued by the courts of this State in the cited case.

  
\_\_\_\_\_  
WM. MONROE KERR

SUBSCRIBED AND SWORN TO BEFORE ME on the 12<sup>th</sup> day of June, 1992, to certify which witness my hand and official seal.



[Signature]  
Notary Public in and for  
The State of Texas

My commission expires: \_\_\_\_\_, 19\_\_.

CERTIFICATE OF SERVICE

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John A. Davis, Esquire  
Kemp, Smith, Duncan & Hammond  
P. O. Box 2796  
Midland, Texas 79702

[Signature]  
WM. MONROE KERR

NO. A-39066

CHARLES E. NEARBURG, d/b/a	§	IN THE DISTRICT COURT
NEARBURG EXPLORATION COMPANY,	§	
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BROTHERS, INC., M. CRAIG	§	
CLARK AND DAVID CROMWELL,	§	
	§	
DEFENDANTS.	§	142ND JUDICIAL DISTRICT

ORIGINAL ANSWER OF DEFENDANTS MYCO INDUSTRIES, INC.,  
H. M. BETTIS, INC., TURNCO INC., L. E. OPPERMAN,  
BETTIS BROTHERS, INC., M. CRAIG CLARK AND DAVID CROMWELL

TO THE HONORABLE JUDGE OF SAID COURT:

MYCO INDUSTRIES, INC., H. M. BETTIS, INC., TURNCO, INC., L. E. OPPERMAN, BETTIS BROTHERS, INC., M. CRAIG CLARK and DAVID CROMWELL, some of the defendants in the above cited and numbered cause, make answer to Plaintiff's Original Petition to present their defenses thereto as follows:

1.

This is a suit involving interests in the oil and gas leasehold estate created by the United States of America covering and pertaining to the North Half (N/2) of Section 27, Township-18-South, Range-37-East, N.M.P.M., Eddy County, New Mexico, and perhaps other neighboring New Mexico lands, which property rights include management and control of such properties. The action is a local action and not a transitory action that is within the exclusive jurisdiction of the State of New Mexico, with respect to

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which the courts of the State of Texas have no subject matter jurisdiction. For this reason, the action should be dismissed for want of jurisdiction of the subject matter.

2.

This suit as brought by Plaintiff seeks a declaration that Plaintiff is or should be the Operator of the New Mexico oil and gas properties the subject of this suit. This issue has twice been rendered moot because Yates Petroleum Corporation is the duly constituted operator of the property. After Sinclair Oil Corporation, in November, 1991, assigned its undivided one-half (1/2) interest in the leasehold estate in the North Half (N/2) of said Section 27 to Plaintiff, and within sixty (60) days thereafter, the owners of the remaining fifty percent (50%) interest unanimously selected Yates Petroleum Corporation to be the operator of the properties. This selection process conformed to the provisions of Paragraph 19 of the March 7, 1967 Operating Agreement made and entered into between the Sinclair Oil Corporation and John H. Trigg and Pauline V. Trigg. Furthermore, on June 3, 1992, the Oil Conservation Division, Energy, Minerals, and Natural Resources Department of the State of New Mexico entered its order based on an April 30, 1992 hearing in which Plaintiff fully participated, that Yates Petroleum Corporation be designated as operator of the oil, gas and other hydrocarbons leasehold estate in the North Half (N/2) of said Section 27 from a depth of 5,000 feet beneath the surface down to the base of the Morrow Formation, pursuant to the terms and provisions of the June 3, 1992 Order. These Oil Conservation Division proceedings dealt with competing applications for compulsory pooling and the appointment of the operator, the first of which, Case No. 10467 was filed by Yates Petroleum Corporation, and the other of which was later filed by Plaintiff. Among other findings and conclusions of the Oil Conservation Division was that under the New Mexico compulsory pooling statutes, it was in their

power and was their duty to select the best qualified operator, which they found to be Yates Petroleum Corporation. This order is subject to judicial review under the statutes of the State of New Mexico by New Mexico courts, and none other. Thus, Plaintiff's cause of action has been rendered moot on two separate grounds. Accordingly, this case should be dismissed as moot, as well as because of the Court's lack of subject matter jurisdiction.

3.

The Court does not have jurisdiction of the persons of several of the Defendants who are necessary parties to this suit, namely, John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family Trust, Yates Petroleum Corporation, Yates Drilling Company, and Abo Petroleum Corporation. The only courts that have jurisdiction of the subject matter of this suit and of the named parties, and the power to obtain jurisdiction of the persons of all of the necessary parties to this suit, within the concepts of constitutionally protected due process of law, are courts having territorial jurisdiction of the State of New Mexico, whose jurisdiction is sufficient to determine the rights and issue in New Mexico real property interests, and to afford judicial review to action of the New Mexico Oil Conservation Division. Thus, a further reason is given for the Court to dismiss this action.

4.

Except as these Defendants may hereafter admit or stipulate, each of these Defendants deny all of the allegations contained in the Plaintiff's Original Petition and demand strict proof thereof.

5.

This being a declaratory judgment action, these Defendants are entitled to recovery of their reasonable attorneys' fees.

WHEREFORE, premises considered, it is prayed that the Court dismiss this suit on the grounds hereinabove set forth, or, in the alternative, that they have final judgment that Plaintiff take

nothing by this suit and that these Defendants have their costs and attorneys' fees.

Respectfully submitted,  
KERR, FITZ-GERALD & KERR, L.L.P.  
P. O. Box 511  
Midland, Texas 79702  
Telephone No. 915/683-5291  
Telecopier No. 915/683-5257

By: WM. MONROE KERR  
State Bar I.D. No. 11347000

ATTORNEYS FOR DEFENDANTS  
MYCO INDUSTRIES, INC., H. M.  
BETTIS, INC., TURNCO INC.,  
L. E. OPPERMAN, BETTIS  
BROTHERS, INC., M. CRAIG  
CLARK AND DAVID CROMWELL

CERTIFICATE OF SERVICE

On this the 15<sup>th</sup> day of June, 1992, a true and correct copy of the above Original Answer of Defendants Myco Industries, Inc., H. M. Bettis, Inc., Turnco Inc., L. E. Opperman, Bettis Brothers, Inc., M. Craig Clark and David Cromwell was placed in the United States Mail, Certified Mail, return receipt requested, postage prepaid, addressed to counsel as follows:

John A. Davis, Esquire  
Kemp, Smith, Duncan & Hammond  
P. O. Box 2796  
Midland, Texas 79702

WM. MONROE KERR

449

NO. 17-39,068 MAY 15 PM 4:43

*Charles E. Nearburg*  
CLERK OF DISTRICT COURT  
MIDLAND COUNTY, TEXAS

CHARLES E. NEARBURG, d/b/a Nearburg § IN THE DISTRICT COURT  
 NEARBURG EXPLORATION COMPANY, §  
 §  
 PLAINTIFF, §  
 §  
 VS. §  
 §  
 JOHN H. TRIGG AND PAULINE V. §  
 TRIGG, AS TRUSTEES OF THE §  
 TRIGG FAMILY TRUST, YATES §  
 PETROLEUM CORPORATION, § OF MIDLAND COUNTY, TEXAS  
 YATES DRILLING COMPANY, §  
 ABO PETROLEUM CORPORATION, §  
 MYCO INDUSTRIES, INC., §  
 H.M. BETTIS, INC., TURNCO §  
 INC., L.E. OPPERMAN, BETTIS §  
 BROTHERS, INC., M. CRAIG §  
 CLARK AND DAVID CROMWELL, §  
 §  
 DEFENDANTS. § 12 JUDICIAL DISTRICT

ORIGINAL PETITION OF CHARLES E. NEARBURG d/b/a NEARBURG EXPLORATION COMPANY

TO THE HONORABLE JUDGE OF SAID COURT:

Charles E. Nearburg d/b/a Nearburg Exploration Company ("Nearburg") files this his Original Petition against John H. Trigg and Pauline V. Trigg, as Trustees of the Trigg Family Trust, Yates Petroleum Corporation, Yates Drilling Company, ABO Petroleum Corporation, MYCO Industries, Inc., H.M. Bettis, Inc., Turnco Inc., L.E. Opperman, Bettis Brothers, Inc., M. Craig Clark and David Cromwell and respectfully shows the following:

1. Nearburg is an individual residing in Dallas County, Texas.

2. **John H. Trigg and Pauline V. Trigg** are individuals residing in Chavez County, New Mexico upon whom process may be served by registered mail, return receipt requested, at P.O. Box 520, Roswell, New Mexico 88201.

✓3. **Yates Petroleum Corporation** is a corporation authorized to conduct business in the State of Texas, upon whom process may be served through its registered agent for service, Donald Logan, 201 Wall Towers, Midland, Texas 79701.

4. **Yates Drilling Company** is corporation upon whom process may be served by serving its registered agent for service, S. P. Yates, 105 South 4th, Artesia, New Mexico 88210.

5. **ABO Petroleum Corporation** is a corporation upon whom process may be served by serving its registered agent for service, John A. Yates, 105 South 4th, Artesia, New Mexico 88201.

✓6. **MYCO Industries, Inc.** is a corporation authorized to conduct business in the State of Texas upon whom process may be served through its registered agent for service, Tom Dyches, 306 West Wall, Suite 140, Midland, Texas 79701.

7. **H.M. Bettis, Inc.** is a corporation authorized to conduct business in the State of Texas upon whom process may be served through its registered agent for service, H.M. Bettis, 505 5th Street, Graham, Texas 26046.

8. **Turnco Inc.** is a corporation authorized to conduct business in the State of Texas upon whom process may be served

through its registered agent for service, H.M. Bettis, 613 3rd Street, Graham, Texas.

9. L.E. Opperman is an individual residing in Midland County upon whom process may be served at 500 West Texas, Midland, Texas 79701.

10. Bettis Brothers, Inc. is a corporation authorized to conduct business in the State of Texas upon whom process may be served through its registered agent for service, Harry M. Bettis, Jr., 500 West Texas #830, Midland, Texas 79701.

11. M. Craig Clark is an individual residing in Midland County upon whom process may be served at 310 West Texas Avenue, Suite 714, Midland, Texas 79701.

12. David Cromwell is an individual residing in Midland County upon whom process may be served at 2819 Shandon, Midland, Texas 79705.

13. This Court has jurisdiction of the subject matter and parties involved in this dispute. Venue is proper in Midland County because this suit is based on a contract which was made and performed, in whole or in part, in Midland County. In the alternative, venue is proper in Midland County because one or more of the Defendants herein are residents of Midland County.

#### FACTUAL STATEMENT

14. The Trigg Family Trust (the "Trigg Trust") is a record owner of an oil and gas lease located in Eddy County, New Mexico.

Said lease is more particularly described as Lease No. NM LC-060122, covering among other lands the N/2 of Section 27, T-18-5, R-27-E, Eddy County, New Mexico, (the "Lease"). John H. Trigg and Pauline V. Trigg (the "Triggs") (Predecessors-in-interest in the Lease to the Trigg Trust) executed a Farmout Agreement with Sinclair Oil & Gas Corporation ("Sinclair") dated November 4, 1966, a true copy of which is attached hereto as Exhibit "A" (the "Farmout Agreement"). The Farmout Agreement provided that Sinclair would be assigned a fifty percent (50%) interest in the "operating rights" of the Lease upon its completion of a commercially producing oil and gas well on the Lease. Sinclair did, in fact, complete a commercially producing oil and gas well on the Lease, which became known as the Chalk AKH Federal #2 well (the "AKH #2"). Sinclair was assigned a fifty percent (50%) working interest in the Lease, insofar as it covers the N/2 of Section 27, T-18-5, R-27-E, Eddy County, New Mexico, effective March 26, 1969, pursuant to the terms of the Farmout Agreement. A true copy of said Assignment, which is duly recorded in Vol. 68, p. 704 of the Miscellaneous Records of Eddy County, New Mexico, is attached hereto as Exhibit "B". The Assignment was executed for Sinclair by a representative of Atlantic Richfield Company ("ARCO") which merged with Sinclair and acquired all of its interests, effective March 4, 1969.

15. The Triggs and Sinclair (ARCO) executed an operating agreement (the "Operating Agreement") covering the Lease contemporaneously with the Assignment evidenced in Exhibit "B". A

true copy of the Operating Agreement is attached hereto as Exhibit "C". Under its terms, Sinclair (ARCO) was designated as operator of the Lease and the Triggs were designated as non-operators. The Operating Agreement was expressly made subject to the terms and conditions of the Farmout Agreement.

16. ARCO operated the AKH #2 for approximately twelve (12) years before it was plugged and abandoned. Prior to the plugging and abandonment of the AKH #2 other wells were drilled on other tracts encompassing the Lease which were commercially producing oil and gas wells. Said wells have produced, and continue to produce, oil and gas in commercial quantities thus perpetuating the Lease.

17. By Assignment dated November 21, 1992, ARCO assigned all of its fifty percent (50%) interest in the Lease to **Nearburg**. A true copy of said Assignment, which is duly recorded in Vol. 100, p. 949 of the "Eddy County records," Eddy County, New Mexico, is attached hereto as Exhibit "D". As transferee of ARCO, **Nearburg** became operator of the Lease pursuant to the Operating Agreement.

18. Defendants **Yates Drilling Company, ABO Petroleum Corporation, MYCO Industries, Inc., H.M. Bettis, Inc., Bettis Brothers, Inc., Turnco Inc., L.E. Opperman, M. Craig Clark and David Cromwell** are all purported beneficial interest owners in the **Trigg Trust's** fifty percent (50%) record interest in the Lease. Attached hereto as Exhibit "E" is a schedule of the purported beneficial interest owners and their respective percentages of ownership.

## CAUSE OF ACTION

19. One or more of the **Defendants** named herein (the "**Defendants**") dispute the validity of the Operating Agreement and deny that **Nearburg** is the lawful operator of the Lease. A genuine controversy has arisen and now exists between **Nearburg** and the **Defendants** regarding the validity of the Operating Agreement and the identity of the lawful operator of the Lease. This dispute concerns all persons who purport to own an interest in the Lease, whether of record or beneficially, and has necessitated that all of the **Defendants** be joined in this suit.

20. **Nearburg** seeks a declaratory judgment pursuant to the Uniform Declaratory Judgments Act, Civil Practice and Remedies Code Section 37.001, et. seq., decreeing (i) that the Operating Agreement is effective as between **Nearburg** and the **Defendants**, and (ii) that **Nearburg** is the lawful operator of the Lease pursuant to his acquisition of the operating rights in the Lease from ARCO (Exhibit "A") and pursuant to the terms and conditions of the Operating Agreement.

21. A declaratory judgment will terminate the uncertainty and controversy giving rise to this dispute as to the validity of the Operating Agreement and the identity of the lawful operator of the Lease.

22. **Nearburg** prays for such reasonable and necessary costs and attorneys' fees (both trial and appellate) for the prosecution

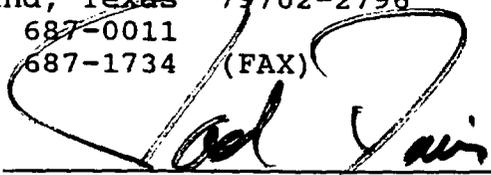
of this action as the Court finds just and equitable, pursuant to Texas Civil Practice and Remedies Code § 37.009.

23. All conditions precedent to **Nearburg's** right to the relief requested herein have been performed or have occurred.

WHEREFORE, **Nearburg** prays that the **Defendants** be cited to appear and answer herein; that the Court enter declaratory judgment that the Operating Agreement covering the Lease is effective as between **Nearburg** and the **Defendants** and that **Nearburg** is the lawful operator of the Lease as pleaded in paragraph 6 above; that **Nearburg** be granted just and equitable attorneys' fees (both trial and appellate) as pleaded above; that **Nearburg** be granted costs of suit; and that **Nearburg** be granted such other and further relief, at law or in equity, to which he may be shown lawfully entitled.

Respectfully submitted,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.  
400 W. Illinois, Suite 1400 (79701)  
P.O. Drawer 2796  
Midland, Texas 79702-2796  
(915) 687-0011  
(915) 687-1734 (FAX)

By: 

John A. "Jad" Davis, Jr.  
State Bar No. 05511400  
J. Randy Turner  
State Bar No. 20321500

Attorneys for **PLAINTIFF CHARLES E. NEARBURG d/b/a NEARBURG EXPLORATION COMPANY**

PLAINTIFF'S  
EXHIBIT  
A

PAIDOUT AGREEMENT

THIS AGREEMENT, made and entered into this 4th day of November, 1966, by and between JOHN H. TRIGG and PAULINE V. TRIGG, his wife, whose address is Post Office Box 520, Roswell, New Mexico, hereinafter referred to as "Trigg", and SINCLAIR OIL & GAS COMPANY, whose address is Post Office Box 1470, Midland, Texas, hereinafter referred to as "Sinclair";

W I T N E S S E T H:

WHEREAS, Trigg is the owner and holder of that certain Oil and Gas Lease from the United States of America to J. T. Bonner as Lessee, dated April 1, 1948, bearing Serial Number LC-060122, insofar as said lease covers:

Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico

Section 22: S4  
Section 27: N4, NE4SW4, N4SE4

Containing 760.00 acres, more or less, hereinafter referred to as "Said Land"; and

WHEREAS, Trigg's interest in said lease covering Said Land is or will be subject to an overriding royalty interest of 6.25% of all oil and gas produced, saved and marketed from the Said Land which is or will be owned by the children of Trigg, (hereinafter called "Children's Override"), and;

WHEREAS, Sinclair desires to acquire and Trigg desires to farmout to Sinclair certain interests in and under the above described lease insofar as it covers Said Land, upon the terms and conditions hereinafter set forth:

NOW THEREFORE, for and in consideration of the premises and mutual covenants herein contained the parties hereto agree as follows:

1. Sinclair agrees to commence on or before December <sup>31</sup> 1966, the drilling of a test well for oil and gas, hereinafter referred to as the "Initial Test Well", at a location in the SW4NW4 of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and to drill and complete such well on or before ninety (90) days from date of commencement, with due diligence and in a good and workmanlike manner, at the sole cost, risk and expense of Sinclair, to a depth of 9,000 feet from the surface of

EXHIBIT A

the ground or to a depth sufficient to adequately test the Cisco formation of Pennsylvanian age, whichever is the lesser depth, all in the opinion of Trigg's geological department.

2. Should Sinclair timely commence and complete as a commercial producer or plug and abandon as a dry hole the Initial Test Well as provided in Paragraph 1 hereof, then Sinclair shall have the option, but not the obligation, for a period of six (6) months from the date of completion of said Initial Test Well to commence the drilling or deepening of a test well for oil and gas, hereinafter referred to as the "Option Well", at a location of Sinclair's choice on Said Land, and to drill and complete said Option Well with due diligence and in a good and workmanlike manner, at the sole cost, risk and expense of Sinclair, to a depth sufficient to adequately test the Morrow formation of Pennsylvanian age, or to a depth sufficient to adequately test the Devonian formation, all in the opinion of Trigg's geological department, said Option Well to be drilled and completed within ninety (90) days of commencement.

3. (a) Should Sinclair complete the Initial Test Well, as provided in Paragraph 1 hereof, as a well capable of producing oil and/or gas in commercial quantities, Trigg agrees to convey to Sinclair an undivided one-half (1/2) interest in the operating rights from the surface of the ground down to and including one hundred (100) feet below the deepest depth drilled, in, to and under Said Land, subject to its proportionate part of the Children's Override.

(b) Should Sinclair drill and complete the Option Well, as provided in Paragraph 2 hereof, as a well capable of producing oil and/or gas in commercial quantities, Trigg agrees to convey to Sinclair an undivided one-half (1/2) interest in the operating rights down to and including one hundred (100) feet below the deepest depth drilled, in, to and under Said Land, subject to its proportionate part of the Children's Override, provided however, should Sinclair have earned the rights provided in (a) of this Paragraph 3, then Trigg shall convey an undivided one-half (1/2) interest in, to and under Said Lands from the depth of the rights conveyed under (a) of this Paragraph 3, down to and including one hundred (100) feet below the deepest depth drilled in the Option Well.

4. After completion of the Initial Test Well, whether as a producer or dry hole, Sinclair, at its election, shall either (a) conduct continuous drilling operations on the remainder of Said Land with not more than one hundred twenty (120) days elapsing between the completion of a well, whether as a producer or dry hole, and the commencement of actual drilling of the next succeeding well until Sinclair shall have drilled one well to each standard spacing or proration unit fixed by any special field rules promulgated by the New Mexico Oil Conservation Commission, or in the absence of such rules, one well to each 160 acre governmental quarter section in Said Land; each such additional well to be drilled and completed within ninety (90) days from commencement thereof, or (b) surrender and release to Trigg all of Said Land except each tract as defined in (a) of this Paragraph 4, upon which a producing well has been completed, warranting same to be free and clear of all liens, obligations or encumbrances suffered by Sinclair. All other provisions applicable to the Initial Test Well shall be equally applicable to each additional well. Failure of Sinclair to conduct continuous drilling operations as herein provided shall not preclude Sinclair from exercising the option granted under Paragraph 2 to drill the Option Well.

5. Should any well required or permitted under this Farmout Agreement be lost or junked through no negligence or carelessness of Sinclair, or its agents or employees, or if in the drilling of such wells, granite or other practically impenetrable substance or condition is encountered rendering further drilling impractical according to the standards of the immediate area or field, then and in either of such events, and within thirty (30) days from the date such well is lost or junked or abandoned on encountering such practically impenetrable substance or condition, Sinclair may, at its election and without penalty, commence the drilling of a substitute well at a location of Sinclair's choice on the same quarter-quarter section of Said Land, provided, however, such location shall conform to and comply with the rules and regulations of the New Mexico Oil Conservation Commission, and such substitute well, in order to qualify as a substitute well, shall be drilled and completed in the same manner as herein specified for the well so lost, junked or abandoned, and as to all of which the decision of Trigg's Geological

Department shall be conclusive. Should Sinclair timely commence and diligently complete such a substitute well pursuant to the terms of this paragraph, then in such event it shall be considered for all purposes hereof that the well for which it is a substitute was commenced, drilled and completed within the time, to the depth, and in the manner provided therefor.

6. The parties hereto agree that the location of the Initial Test Well, as provided in Paragraph 1 hereof, has been selected by Sinclair to provide Trigg with a carried fifty (50%) per cent working interest in said Initial Test Well completed into the tanks free of all cost and expense to Trigg; should the New Mexico Oil Conservation Commission establish special field rules providing for 640 acre spacing or proration units, Sinclair and Trigg's working interest in the Initial Test Well would be reduced proportionately; in such event, at Sinclair's sole cost and expense, Sinclair agrees to carry Trigg in the drilling of a subsequent well on Said Land in Section 22, to the extent of the difference between Trigg's working interest in the Initial Test Well and fifty (50%) per cent. If Sinclair elects not to drill such additional well within the time specified in Paragraph 4(a), the provisions of Paragraph 4(b) hereof will apply.

7. It is agreed between the parties hereto that upon conveyance of the operating rights earned by the performance of the obligations set forth herein all subsequent operations on Said Land will be conducted in accordance with the terms of the form of joint Operating Agreement attached hereto and marked Exhibit "A"; and that at such time as Sinclair shall have earned its interest in Said Land all parties hereto shall properly execute said joint Operating Agreement.

8. Trigg will make a bona fide effort (with no penalty or liability for oversight in this connection) to pay all rentals or minimum royalty becoming due after the date of this Permout Agreement under the terms of the above described lease, insofar as it covers Said Land; and Sinclair shall reimburse Trigg for one-half (1/2) of such rentals or minimum royalty within thirty (30) days after receipt of Trigg's invoice therefor.

9. Sinclair agrees to keep Trigg's leasehold interest free from liens, encumbrances and claims created by, through or under Sinclair and

that Sinclair, its contractor or subcontractor shall carry insurance with satisfactory companies and of sufficient coverage to insure against the risks specified in Paragraph 26 of Exhibit "A" attached hereto.

10. Sinclair shall allow the representatives and duly authorized agents of Trigg to have access to Said Land, as well as the derrick floor of any well or wells drilled pursuant to this Farmout Agreement, at any and all times during the drilling, completing, reworking and/or operating of any such well or wells, and shall furnish Trigg with any and all information available pertaining to the drilling, completing, reworking and/or operation of any such well, including but not limited to:

(a) One copy of all reports pertaining to the drilling of any such well filed by Sinclair with any governmental authority, such reports to be delivered to Trigg at the same time such reports are filed with such governmental authority;

(b) Copies of daily drilling reports showing the status, progress and changes in formation encountered in the drilling of any such well, and complete results of directional electric, crooked or straight hole surveys, core analyses and any and all other tests or surveys made in connection with such well;

(c) A full set of sample cuttings from any such well, to be delivered to the New Mexico Oil Scouts Association, Inc., 115 North Coleman, Hobbs, New Mexico, no later than fifteen (15) days after the completion or plugging of such well;

(d) Dual Induction-Laterolog and Gamma-Ray-Sonic logs or equivalent logs shall be made and two prints and one reproducible copy thereof shall be furnished Trigg;

(e) In the event a showing of oil or gas is encountered at any depth or upon encountering a prospective oil or gas zone at any depth in such well, Sinclair shall give Trigg reasonable notice thereof in sufficient time to have a representative present when such zone is tested or cored, and if, in Trigg's opinion it is justified, any showing of oil or gas shall be adequately tested in a prudent manner in accordance with good oil field practices;

(2) All notices herein required shall be given to Trigg or any of his employees at Post Office Box 520, Roswell, New Mexico, telephone number 623-3140 if given during normal working hours or if given on weekends or after regular working hours to Mr. G. E. Harrington, Geologist, at Roswell, New Mexico, telephone number 623-3415.

11. In connection with the performance of work under this agreement, Sinclair agrees to comply with all of the provisions of Section 301 (1) to (7), inclusive, of Executive Order 10925 (28 F. R. 6485), which are hereby incorporated by reference in this agreement.

12. It is understood that this agreement and the obligations hereunder are personal and not assignable by Sinclair without Trigg's expressed consent in writing and that said obligations are several and not joint and nothing herein contained shall constitute or be construed to constitute a partnership, either general or mining, as between Sinclair and Trigg.

13. (a) It is understood that if Sinclair fails to comply with the terms and provisions of this contract with respect to the commencement, drilling and completion of the wells herein provided for, Trigg, in addition to any other relief to which it may be entitled, may demand surrender and release of the interest transferred herein of all of said Land except each tract as defined in (a) of Paragraph 4 hereof, upon which a producing well has been completed, and Sinclair shall thereupon execute and deliver to Trigg an appropriate recordable instrument warranting the interest so surrendered and released to be free and clear of all liens, obligations or encumbrances suffered by Sinclair.

(b) Upon breach of any of the terms and conditions hereof by Sinclair, (other than failure to comply with respect to commencement, drilling and completion of the wells as herein provided), Trigg shall notify Sinclair in writing alleging specifically the respects in which Trigg considers Sinclair has failed to comply, and Sinclair shall have thirty (30) days after the mailing of such notice by Trigg within which to remedy such default so alleged by Trigg. In the event Sinclair has not cured said default within such time, Trigg may at its option, terminate this agreement whereby any rights hereunder, will revert to Trigg, except as to each tract as defined in (a) of Paragraph 4 hereof upon which a producing well has been completed.

The terms of this agreement shall bind the parties hereto and shall inure to the benefit of their respective heirs, devisees, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed on the day and year first hereinabove written.

*John H. Trigg*  
John H. Trigg

*Pauline V. Trigg*  
Pauline V. Trigg

SINCLAIR OIL & GAS COMPANY

By *R. M. Kobbish*

APPROV
SUBSTANCE
FORM

*QA*  
*RG*  
*HM*

STATE OF NEW MEXICO I  
I ss.  
COUNTY OF CRAVES I

The foregoing instrument was acknowledged before me this 9<sup>th</sup> day of November, 1966, by JOHN H. TRIGG and PAULINE V. TRIGG, his wife.

*L. Lucille Nichols*  
Notary Public

My Commission Expires:  
November 19, 1967

STATE OF TEXAS I  
I ss.  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of November, 1966, by R. M. KOBBDISH, Vice President of Sinclair Oil & Gas Company, a Meim corporation, on behalf of said corporation.

*Barbara C. Tuttle*  
Notary Public

My Commission Expires:  
January 1, 1967

EXHIBIT "A"  
TO FARMOUT AGREEMENT BY AND BETWEEN  
JOHN H. TRIGG and PAULINE V. TRIGG and SINCLAIR OIL & GAS COMPANY

MODEL FORM OPERATING AGREEMENT—1956  
~~1956~~ Federal Lands

OPERATING AGREEMENT

DATED

\_\_\_\_\_, 19\_\_\_\_

FOR UNIT AREA IN TOWNSHIP 18. South, RANGE 27. East, N.M.P.M.

EDDY COUNTY, STATE OF NEW MEXICO

Published and for Sale by  
ROSS-MARTIN CO.

Box 800  
Tulsa, Oklahoma

Form 610

## OPERATING AGREEMENT

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, between

SINCLAIR OIL & GAS COMPANY

hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

### 1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

- (1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.
- (2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.
- (3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.
- (4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.
- (5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- (6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.
- (7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.
- (8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

### 2. ~~TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS~~

#### ~~A. Title Examination~~

~~Each party other than Operator shall promptly submit to Operator abstracts certified from beginning to recent date, together with all title papers in its possession covering leases and oil and gas interests which it is subjecting to this contract. All of these abstracts and title records shall be examined for the benefit of all parties by Operator's attorneys.~~

~~Operator shall promptly submit abstracts certified from beginning to recent date, together with all title papers in its possession covering leases and oil and gas interests which it is subjecting to this agreement, to \_\_\_\_\_ for examination by the latter's attorney for the benefit of all parties.~~

~~All title examinations shall be made without charge. Each examining attorney shall prepare a complete title report on each separate tract based upon the abstract record and title papers submitted to him. Each title report shall contain a list of fee owners and their interests, shall state the attorney's opinion concerning validity of their interests, and shall contain an enumeration and description of title defects, if any, a report upon mortgages, taxes, pending suits, and judgments, and unleased oil and gas leases, and a list of requirements, if any, upon which the examiner's approval of title to the lease or oil and gas interest is contingent. The title report shall also contain a specific description of the oil and gas lease being subjected to this contract, with a statement of its form, term (which will be satisfactory if it has a primary term expiring not sooner than \_\_\_\_\_), amount of royalty, status of delay rental payments, and unusual drilling~~

~~obligations and of excess royalty, oil payments, and other special burdens. A copy of each title opinion, and of each supplemental opinion, and of all final opinions, shall be sent promptly to each party. The opinion of the examining attorney concerning the validity of the title to each oil and gas interest and each lease, and the amount of interest covered thereby shall be binding and conclusive on the parties, but the acceptability of leases as to primary term, royalty provisions, drilling obligations, and special burdens, shall be a matter for approval and acceptance by an authorized representative of each party.~~

~~All title examinations shall be made, and title reports submitted, within a period of \_\_\_\_\_ days after the submission of abstracts and title papers. Each party shall, in good faith, try to satisfy the requirements of the examining attorneys concerning its leases and interests, and each shall have a period of \_\_\_\_\_ days from receipt of title report for this purpose. If the title to any lease, or oil and gas interest, is finally rejected by the examining attorney, all parties shall then be asked to state in writing whether they will waive the title defects and accept the leases or interests, or whether they will stand on the attorney's opinion. If one or more parties refuse to waive title defects, this agreement shall, in that case, be terminated and abandoned, and all abstracts and title papers shall be returned to their senders. If all titles are approved by the examining attorneys, or are accepted by all parties, and if all leases are accepted as to primary terms, royalty provisions, drilling obligations and special burdens, all subsequent provisions of this agreement shall become operative immediately, and the parties shall proceed to their performance as they are hereinafter stated.~~

**B. Failure of Title:**

After all titles are approved or accepted, any defects of title that may develop shall be the joint responsibility of all parties and, if a title loss occurs, it shall be the loss of all parties, with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such a loss occurs, there shall be no change in, or adjustment of, the interests of the parties in the remaining portion of the Unit Area.

**C. Loss of Leases For Other Than Title Failure:**

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the remaining portion of the Unit Area.

**3. UNLEASED OIL AND GAS INTERESTS**

If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

**4. INTERESTS OF PARTIES**

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". <sup>Section 2</sup> All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth (1/8) royalty, the party contributing that lease shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

**5. OPERATOR OF UNIT**

Sinclair Oil & Gas Company shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

**6. EMPLOYEES**

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

**7. TEST WELL**

On or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, Operator shall commence the drilling of a well for oil and gas in the following location:

NONE

and shall thereafter continue the drilling of the well with due diligence to

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

**8. COSTS AND EXPENSES**

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of <sup>eight (8%)</sup> ~~eight (8%)~~ per cent annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

**9. OPERATOR'S LIEN**

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

**10. TERM OF AGREEMENT**

This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected to this agreement remain or are continued in force as to any part of the Unit Area, whether by production, extension, renewal or otherwise; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from the Unit Area, then at the end of ninety (90) days after abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 13 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue in force until such well or wells shall have been drilled and completed. If production results therefrom this agreement shall continue in force thereafter as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

**11. LIMITATION ON EXPENDITURES**

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 13 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing,\* and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing\* and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand ----- Dollars (\$ 5,000.00 ) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of \$ 2,500.00

\* See Section 30(c) for additional provision.

### 12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday<sup>or a holiday</sup>) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

- (A) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and
- (B) 200% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 24, and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased. In determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to ~~the spacing rules established~~ <sup>spacing rules established</sup> ~~by the governmental agency having jurisdiction.~~ by the governmental agency having jurisdiction.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

### 13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production, and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first obtaining such other party's written consent

#### 14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

#### 15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

#### 16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 13 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

#### 17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Each party shall pay all delay rentals and shut-in well payments which may be required under the terms of its lease or leases and submit evidence of each payment to the other parties at least ten (10) days prior to the payment date. The paying party shall be reimbursed by Operator for 100% of any such delay rental payment and 100% of any such shut-in well payment. The amount of such reimbursement shall be charged by Operator to the joint account of the parties and treated in all respects the same as costs incurred in the development and operation of the Unit Area. Each party responsible for such payments shall diligently attempt to make proper payment, but shall not be held liable to the other parties in damages for the loss of any lease or interest therein if, through mistake or oversight, any rental or shut-in well payment is not paid or is erroneously paid. The loss of any lease or interest therein which results from a failure to pay or an erroneous payment of rental or shut-in well payment shall be a joint loss and there shall be no readjustment of interests in the remaining portion of the Unit Area. If any party secures a new lease covering the terminated interest, such acquisition shall be subject to the provisions of Paragraph 23 of this agreement.

Operator shall promptly notify each other party hereto of the date on which any gas well located on the Unit Area is shut in and the reason therefor.

#### 18. PREFERENTIAL RIGHT TO PURCHASE

~~Should any party desire to sell all or any part of its interests under this contract or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

## 19. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- (1) the entire interest of the party in all leases and equipment and production; or
- (2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly with assumption of obligations hereunder in writing by assignee, subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

## 20. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

## 21. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

## 22. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

### 23. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

### 24. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly ~~execute~~ <sup>surrender</sup> an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

### 25. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be returned for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

#### 26. INSURANCE

(a) Operator shall at all times during the term of this agreement carry insurance to protect the parties hereto as set forth in Exhibit "D" hereto attached and made a part hereof, and no other insurance for the benefit of the parties in connection with operations under this agreement shall be carried by Operator, and no change in the insurance set forth in Exhibit "D" shall be made unless agreed to in writing.

(b) Operator shall require all contractors performing work under this agreement to carry insurance as set forth in Exhibit "E" attached hereto and made a part hereof.

(c) In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

#### 27. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand (\$1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

#### 28. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

#### 29. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

**30. OTHER CONDITIONS, IF ANY, ARE:**

(a) No well shall be drilled in the Unit Area until after title to the drillsite lease has been examined by an attorney approved by all parties participating in the cost of the well, and the title has been approved by said examining attorney and the title has been accepted by all parties participating in the costs. All costs incurred in connection with examining titles shall be charged to the joint account of the parties hereto.

(b) This Operating Agreement is subject to all the terms and provisions of that certain Farmout Agreement between John H. Trigg, et ux, and Sinclair Oil & Gas Company, dated November 4, 1966, which by reference is incorporated herein for all purposes.

(c) In spite of any provision to the contrary appearing in Section 11 hereof, consent to the drilling of a well shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, Operator shall give immediate notice to Non-Operators. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday or Sunday or legal holidays) in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to reply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all of the parties. If one or more, but less than all, of the parties elect to set pipe and to attempt a completion, the provisions of Section 12 shall apply to the operations thereafter conducted by less than all parties.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

ATTEST:

\_\_\_\_\_  
Assistant Secretary

SINCLAIR OIL & GAS COMPANY

By \_\_\_\_\_  
Vice President

OPERATOR

ATTEST:

\_\_\_\_\_

\_\_\_\_\_  
John H. Trigg

ATTEST:

\_\_\_\_\_

\_\_\_\_\_  
Pauline V. Trigg

Attached to and made a part of Operating Agreement between  
Sinclair Oil & Gas Company, as Operator, and John H.  
Trigg, et ux, as Non-Operator, covering land in  
Pddy County, New Mexico

## ACCOUNTING PROCEDURE (JOINT OPERATIONS)

### I. GENERAL PROVISIONS

1. **Definitions**

"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.  
"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.  
"Operator" shall mean the party designated to conduct the Joint Operations.  
"Non-Operators" shall mean the nonoperating parties, whether one or more.  
"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.  
"Parties" shall mean Operator and Non-Operators.  
"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.  
"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
2. **Conflict with Agreement**

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.
3. **Collective Action by Non-Operators**

Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.
4. **Statements and Billing**

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

  - A. Statement in detail of all charges and credits to the Joint Account.
  - B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
  - C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.
5. **Payment and Advances by Non-Operators**

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six percent (6%) per annum until paid. eight (8%) per cent per
6. **Adjustments**

Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.
7. **Audits**

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

### II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.
2. **Labor**
  - A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.
  - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
  - C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
  - D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**  
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
4. **Material**  
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. **Transportation**  
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
  - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
  - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
  - C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. **Services**
  - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 6 of this Section II and Paragraph 2 of Section III.
  - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.
7. **Damages and Losses to Joint Property**  
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. **Legal Expense**  
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. **Taxes**  
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.
10. **Insurance Premiums**  
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.
11. **Other Expenditures**  
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

### III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

**OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:**

- Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- Paragraph 4. (Combined fixed rate)

1. **District Expense**  
Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's ..... office located at or near ..... (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.
2. **Administrative Overhead**  
Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

#### WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE	PRODUCING WELL RATE		
	(Use Total Depth)	First Five	Next Five	All Wells Over Ten
	Each Well			

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. Operator's Fully Owned Warehouse Operating and Maintenance (Describe fully the agreed procedure to be followed by the Operator.)

4. Combined Fixed Rates  
Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
0' - 4,000'	\$ 425	\$ 85	\$ 75	\$ 65
4,000' - 8,000'	550	105	95	85
8,000' - 12,000'	650	125	115	105
Below 12,000'	750	140	130	120

Said fixed rates shall include salaries and expenses of production foremen.

5. Application of Administrative Overhead or Combined Fixed Rates  
The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

- A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. The status of wells shall be as follows:
  - (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
  - (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
  - (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
  - (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
  - (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
  - (6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
- C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
- D. The well rates shall be adjusted on the first day of April of each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

6. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gaslines plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.

7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

- 1. Purchases  
Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.
- 2. Material furnished from Operator's Warehouse or Other Properties
  - A. New Material (Condition "A")
    - (1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
    - (2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
    - (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.
  - B. Used Material (Condition "B" and "C")
    - (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
    - (2) Material which cannot be classified as Condition "B" but which,
      - (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
      - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
    - (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

#### **PREMIUM PRICES**

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that at least ten days prior notice in writing is furnished to Non-Operator of the proposed action to be taken by Operator in obtaining or supplying the material and/or equipment called for under the provisions of this paragraph, whereupon Non-Operator shall have the right by so electing and notifying Operator within such ten days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, appropriate adjustments of accounts between Operator and Non-Operator shall be made. Operator agrees to acquire the necessary short supplies and equipment required to conduct operations upon the jointly owned premises and to charge the joint account therefor herein provided unless Non-Operator elects to supply all or part of same within the specified period of time.

against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

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

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

#### **V. DISPOSAL OF MATERIAL**

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. **Material Purchased by the Operator or Non-Operators**  
Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.
2. **Division in Kind**  
Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.
3. **Sales to Outsiders**  
Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

#### **VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT**

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. **New Price Defined**  
New price as used in this Section VI shall be the price specified for New Material in Section IV.
2. **New Material**  
New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).
2. **Good Used Material**  
Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:
  - A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
  - B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.
4. **Other Used Material**  
Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:
  - A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
  - B. Is serviceable for original function but not suitable for reconditioning.
5. **Bad-Order Material**  
Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.
6. **Junk Material**  
Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.
7. **Temporarily Used Material**  
When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

#### **VII. INVENTORIES**

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. **Periodic Inventories, Notice and Representation**  
At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.
2. **Reconciliation and Adjustment of Inventories**  
Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.
3. **Special Inventories**  
Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

ASSIGNMENT OF OPERATING RIGHTS

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, JOHN H. TRIGG and wife, PAULINE V. TRIGG, Assignor, for and in consideration of the sum of TEN DOLLARS, cash in hand paid, the receipt and sufficiency of which is hereby acknowledged, do hereby transfer, sell, convey and assign unto SINCLAIR OIL CORPORATION, Assignee, an undivided 50% interest in and to the exclusive right and privilege of operating, testing and developing the premises for oil, gas, casinghead gas and other hydrocarbon minerals and in and to all the rights and privileges granted to Lessee under the terms thereof, and in the event of discovery and production of such minerals, the ownership of production therefrom, covered by the following described oil and gas lease:

Serial Number: LC 060122  
Dated: April 1, 1948  
Lessor: United States of America  
Lessee: John Tedrowe Bonner  
Land Covered: (Among other lands not included herein) the minerals at the depth and strata in land located in Eddy County, New Mexico, and described as:

Township 18 South, Range 27 East, N.M.P.M.

N/2 of Section 27

containing 320 acres, more or less, down to and including the depth of 10,035 feet from the surface.

Overriding Royalty: 6.25%

together with a like interest in all personal property thereon or pertinent thereto or used or obtained in connection therewith and subject, however, to a like proportionate part of the basic royalty and subject to a like proportionate part of the above mentioned overriding royalty.

The above described oil and gas lease is subject to the Operating Agreement covering the above described land, by and between John H. Trigg and wife, Pauline V. Trigg and Sinclair Oil Corporation.

Assignor shall promptly furnish to Assignee copies of all notices or other communications received from the Department of the Interior or any representative or official thereof pertaining to said oil and gas lease and shall upon request of Assignee make application for any extension or renewal of said oil and gas lease to the lands covered by this agreement where such renewal or extension is allowed or permitted by law or regulation, and upon request of Assignee, make application for any drilling, rental, royalty or other relief with respect to the lands covered by this assignment which to Assignee may be deemed proper and Assignee shall pay or reimburse Assignor for Assignee's proportionate part of all expenses in connection therewith, insofar as the same cover and affect the lands covered by this assignment. Assignor hereby

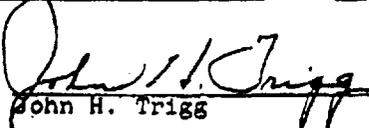
does give and grant to Assignee full power and authority to do and perform every act and thing, not otherwise expressly provided for herein, necessary or required to be done or performed by Assignor in connection with said oil and gas lease insofar as same covers and affects the lands covered by this assignment.

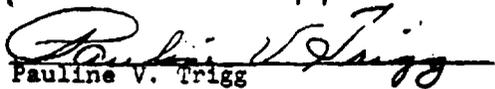
In the event that Assignor shall desire to surrender or relinquish said lease insofar as it covers those depths and strata and any mineral or minerals in the lands first above described and retained by Assignor, or any part thereof, Assignor shall execute and deliver to Assignee a proper assignment of said oil and gas lease insofar as it covers the aforementioned premises, or such portion thereof as Assignor may desire to surrender or relinquish. Assignee agrees to accept such assignment, and immediately file the same for approval along with necessary proof of its qualifications to hold a Federal lease in accordance with the regulations of the Department of the Interior, and to furnish Assignor with a copy of the qualification papers so filed. After approval of said assignment by the Department of the Interior, Assignor shall be relieved of their duty to pay rentals and/or minimum royalties as hereinafter provided, which are apportionable to the land covered by such assignment; and thereafter the premises so assigned to Assignee shall be free and clear of the terms of this assignment.

Assignor shall pay all rentals and/or minimum royalties which may become due and payable under the terms of said oil and gas lease hereinabove described with respect to the land covered hereby, and Assignee, in proportion to its ownership, shall reimburse Assignor for one-half of all such rentals and/or minimum royalties paid; provided, however, that Assignor shall not be liable for inadvertent failure to pay such rentals and/or minimum royalties.

All of the parties hereto shall be entitled to any benefits or credits on minimum royalty payments, as provided for in said lease, on account of the production of oil, gas, casinghead gas and other hydrocarbon minerals upon any part of the land described in said lease whether the same be on account of the production of said products from the land retained by Assignor and excepted from the operation of this assignment or upon the land, or any part thereof, covered by this assignment.

EXECUTED as of March 7, 1967.

  
John H. Trigg

  
Pauline V. Trigg

ASSIGNOR

Effective March 4, 1969, Sinclair Oil Corporation, a New York corporation, was merged into Atlantic Richfield Company, a Pennsylvania corporation, and all interests of the merged company in the within assignment and any antecedent agreements by operation of law vested in, and all obligations imposed on the merged company by the within assignment and any antecedent agreements were assumed by Atlantic Richfield Company. For this reason the within assignment is being executed by Atlantic Richfield Company, this 26<sup>th</sup> day of March, 1969.

ATLANTIC RICHFIELD COMPANY

By   
Its Attorney-in-Fact

ASSIGNEE

STATE OF NEW MEXICO }  
COUNTY OF CHAVES }

The foregoing instrument was acknowledged before me this  
7th day of March, 1969, by JOHN H. TRIGG and  
wife, PAULINE V. TRIGG.



My Commission Expires:  
October 21, 1971

Maxine Ferrin  
Notary Public

THE STATE OF TEXAS }  
COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me this  
26th day of March, 1969, by C. S. TINKLER as  
attorney-in-fact in behalf of ATLANTIC RICHFIELD COMPANY, a  
Pennsylvania corporation.



My commission expires  
June 1, 1969.

Helen C. Lawton  
Notary Public

PLAINTIFF'S  
EXHIBIT  
10

A.A.P.L. FORM 610  
MODEL FORM OPERATING AGREEMENT—1956  
~~XXXX~~ Federal Lands

OPERATING AGREEMENT

DATED

\_\_\_\_\_, 1969

EFFECTIVE AS OF MARCH 7, 1967

FOR UNIT AREA IN TOWNSHIP. 18 South, RANGE 27 East, N.M.P.M.

EDDY COUNTY, STATE OF NEW MEXICO

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
ROSS-MARTIN COMPANY, BOX 800, TULSA 74101

OPERATING AGREEMENT  
EFFECTIVE AS OF MARCH 7, 1967

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1969, between

SINCLAIR OIL CORPORATION

hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

- (1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.
- (2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.
- (3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.
- (4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.
- (5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
- (6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.
- (7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.
- (8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

~~A. Title Examination:~~

~~Each party other than Operator shall promptly submit to Operator abstracts certified from beginning to recent date, together with all title papers in its possession covering leases and oil and gas interests which it is subjecting to this contract. All of these abstracts and title records shall be examined for the benefit of all parties by Operator's attorneys.~~

Operator shall promptly submit abstracts certified from beginning to recent date, together with all title papers in its possession covering leases and oil and gas interests which it is subjecting to this agreement, to \_\_\_\_\_ for examination by the latter's attorney for the benefit of all parties.

All title examinations shall be made without charge. Each examining attorney shall prepare a complete title report on each separate tract based upon the abstract record and title papers submitted to him. Each title report shall contain a list of fee owners and their interests, shall state the attorney's opinion concerning validity of their interests, and shall contain an enumeration and description of title defects, if any, a report upon mortgages, taxes, pending suits, and judgments, and unreleased oil and gas leases, and a list of requirements, if any, upon which the examiner's approval of title to the lease or oil and gas interest is contingent. The title report shall also contain a specific description of the oil and gas lease being subjected to this contract, with a statement of its form, term (which will be satisfactory if it has a primary term expiring not sooner than \_\_\_\_\_), amount of royalty, status of delay rental payments, and unusual drilling

~~obligations and of excess royalty, oil payments, and other special burdens. A copy of each title opinion, and of each supplemental opinion, and of all final opinions, shall be sent promptly to each party. The opinion of the examining attorney concerning the validity of the title to each oil and gas interest and each lease, and the amount of interest covered thereby shall be binding and conclusive on the parties, but the acceptability of leases as to primary term, royalty provisions, drilling obligations, and special burdens, shall be a matter for approval and acceptance by an authorized representative of each party.~~

~~All title examinations shall be made, and title reports submitted, within a period of \_\_\_\_\_ days after the submission of abstracts and title papers. Each party shall, in good faith, try to satisfy the requirements of the examining attorneys concerning its leases and interests, and each shall have a period of \_\_\_\_\_ days from receipt of title report for this purpose. If the title to any lease, or oil and gas interest, is finally rejected by the examining attorney, all parties shall then be asked to state in writing whether they will waive the title defects and accept the leases or interests, or whether they will stand on the attorney's opinion. If one or more parties refuse to waive title defects, this agreement shall, in that case, be terminated and abandoned, and all abstracts and title papers shall be returned to their senders. If all titles are approved by the examining attorneys, or are accepted by all parties, and if all leases are accepted as to primary terms, royalty provisions, drilling obligations and special burdens, all subsequent provisions of this agreement shall become operative immediately, and the parties shall proceed to their performance as they are hereinafter stated.~~

**B. Failure of Title:**

After all titles are approved or accepted, any defects of title that may develop shall be the joint responsibility of all parties and, if a title loss occurs, it shall be the loss of all parties, with each bearing its proportionate part of the loss and of any liabilities incurred in the loss. If such a loss occurs, there shall be no change in, or adjustment of, the interests of the parties in the remaining portion of the Unit Area.

**C. Loss of Leases For Other Than Title Failure:**

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the remaining portion of the Unit Area.

**3. UNLEASED OIL AND GAS INTERESTS**

If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

**4. INTERESTS OF PARTIES**

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A" / <sup>Section 2</sup> All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth (1/8) royalty, the party contributing that lease shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

**3. OPERATOR OF UNIT**

Sinclair Oil Corporation shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

**4. EMPLOYEES**

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

**7. TEST WELL**

On or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, Operator shall commence the drilling of a well for oil and gas in the following location:

NONE

and shall thereafter continue the drilling of the well with due diligence to

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

**8. COSTS AND EXPENSES**

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ~~eight (8) percent~~ <sup>eight (8) percent</sup> per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

**9. OPERATOR'S LIEN**

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

**10. TERM OF AGREEMENT**

This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected to this agreement remain or are continued in force as to any part of the Unit Area, whether by production, extension, renewal or otherwise; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from the Unit Area, then at the end of ninety (90) days after abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 12 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue in force until such well or wells shall have been drilled and completed. If production results therefrom this agreement shall continue in force thereafter as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

**11. LIMITATION ON EXPENDITURES**

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing\*and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand----- Dollars (\$ 5,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of \$ 2,500.00.

\*See Section 31(c) for additional <sup>4</sup>provision.

## 12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday, ~~or a holiday~~) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

- (A) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and
- (B) 200% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the <sup>spacing rules established</sup> ~~spacing rules established~~ by the governmental agency having jurisdiction.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

### 13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production, and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first ~~obtaining~~ ~~the~~ ~~written~~ ~~consent~~ ~~of~~ ~~the~~ ~~other~~ ~~parties~~ ~~to~~ ~~the~~ ~~Unit~~ ~~Area~~ ~~and~~ ~~the~~ ~~operator~~ ~~shall~~ ~~obtain~~ ~~such~~ ~~other~~ ~~party's~~ ~~written~~ ~~consent~~.

#### 14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, dally gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

#### 15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

#### 16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

## 17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Each party shall pay all delay rentals and shut-in well payments which may be required under the terms of its lease or leases and submit evidence of each payment to the other parties at least ten (10) days prior to the payment date. The paying party shall be reimbursed by Operator for 100% of any such delay rental payment and 100% of any such shut-in well payment. The amount of such reimbursement shall be charged by Operator to the joint account of the parties and treated in all respects the same as costs incurred in the development and operation of the Unit Area. Each party responsible for such payments shall diligently attempt to make proper payment, but shall not be held liable to the other parties in damages for the loss of any lease or interest therein if, through mistake or oversight, any rental or shut-in well payment is not paid or is erroneously paid. The loss of any lease or interest therein which results from a failure to pay or an erroneous payment of rental or shut-in well payment shall be a joint loss and there shall be no readjustment of interests in the remaining portion of the Unit Area. If any party secures a new lease covering the terminated interest, such acquisition shall be subject to the provisions of Section 23 of this agreement.

Operator shall promptly notify each other party hereto of the date on which any gas well located on the Unit Area is shut in and the reason therefor.

18. ~~PREFERENTIAL RIGHT TO PURCHASE~~

~~Should any party desire to sell all or any part of its interests under this contract, or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

## 19. SELECTION OF NEW OPERATOR

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

## 20. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- (1) the entire interest of the party in all leases and equipment and production; or
- (2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly with assumption of obligations hereunder in writing by assignee, subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

## 21. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

## 22. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 8 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

## 23. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

## 24. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

## 25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly <sup>tender</sup> ~~execute~~ an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

## 26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

27. INSURANCE

(a) Operator shall at all times during the term of this agreement carry insurance to protect the parties hereto as set forth in Exhibit "D" hereto attached and made a part hereof, and no other insurance for the benefit of the parties in connection with operations under this agreement shall be carried by Operator, and no change in the insurance set forth in Exhibit "D" shall be made unless agreed to in writing.

(b) Operator shall require all contractors performing work under this agreement to carry insurance as set forth in Exhibit "E" attached hereto and made a part hereof.

(c) In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

28. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand (\$1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

29. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

30. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

31. OTHER CONDITIONS, IF ANY, ARE:

(a) No well shall be drilled in the Unit Area until after title to the drillsite lease has been examined by an attorney approved by all parties participating in the cost of the well, and the title has been approved by said examining attorney and the title has been accepted by all parties participating in the costs. All costs incurred in connection with examining titles shall be charged to the joint account of the parties hereto.

(b) This Operating Agreement is subject to all the terms and provisions of that certain Farmout Agreement between John H. Trigg, et ux., and Sinclair Oil & Gas Company (now Sinclair Oil Corporation), dated November 4, 1966, which by reference is incorporated herein for all purposes.

(c) In spite of any provisions to the contrary appearing in Section 11 hereof, consent to the drilling of a well shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, Operator shall give immediate notice to Non-Operators. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturdays or Sundays or legal holidays) in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to reply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all of the parties. If one or more, but less than all, of the parties elect to set pipe and to attempt a completion, the provisions of Section 12 shall apply to the operations thereafter conducted by less than all parties.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

Effective March 4, 1969, Sinclair Oil Corporation, a New York corporation, was merged into Atlantic Richfield Company, a Pennsylvania corporation, and all interests of the merged company in the within operating agreement and any antecedent agreements by operation of law vested in, and all obligations imposed on the merged company by the within operating agreement and any antecedent agreements were assumed by Atlantic Richfield Company. For this reason the within operating agreement is being executed by Atlantic Richfield Company this 24<sup>th</sup> day of March, 1969.

ATLANTIC RICHFIELD COMPANY

By C. S. Tinkler  
C. S. Tinkler  
Its Attorney-in-Fact

ATTEST:  
\_\_\_\_\_

John H. Trigg  
John H. Trigg

ATTEST:  
\_\_\_\_\_

Pauline V. Trigg  
Pauline V. Trigg

New Mexico  
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } M:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by

My commission expires: \_\_\_\_\_ Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF NEW MEXICO }  
COUNTY OF CHAVES } M:

The foregoing instrument was acknowledged before me this 7<sup>th</sup> day of March, 1969 by  
JOHN H. TRIGG and PAULINE V. TRIGG, his wife,

My commission expires: Oct 21, 1971 Maxine Ferrin  
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } M:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by

My commission expires: \_\_\_\_\_ Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF TEXAS }  
COUNTY OF MIDLAND } M:

The foregoing instrument was acknowledged before me this 26<sup>th</sup> day of March, 1969, by  
C. S. TINKLER as attorney-in-fact in behalf of  
ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation.

My commission expires: June 1, 1969 Robert C. Lawrence  
Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF TEXAS }  
COUNTY OF MIDLAND } M:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by  
E. H. Rhess, Vice President of SINCLAIR OIL CORPORATION  
(NAME) (TITLE) (CORPORATION)  
a New York corporation, on behalf of said corporation.

My commission expires: \_\_\_\_\_ Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } M:

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by  
\_\_\_\_\_ of \_\_\_\_\_  
(NAME) (TITLE) (CORPORATION)  
a \_\_\_\_\_ corporation, on behalf of said corporation.

My commission expires: \_\_\_\_\_ Notary Public

EXHIBIT "A"

TO OPERATING AGREEMENT BY AND BETWEEN  
SINCLAIR OIL CORPORATION, AS OPERATOR  
AND JOHN H. TRIGG, ET UX., AS NON-  
OPERATORS, COVERING LANDS IN EDDY  
COUNTY, NEW MEXICO

1. A. Lands Subject to Contract:

The S $\frac{1}{2}$  of Section 22 and the N $\frac{1}{2}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  and the N $\frac{1}{2}$ SE $\frac{1}{4}$  of Section 27, both in Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

B. Restrictions, if any, as to Formations or Depths:

100 feet below the total depth drilled in the initial test well or optional test well to be drilled by Sinclair Oil Corporation, pursuant to farmout agreement dated November 4, 1966, between John H. Trigg, et ux., and Sinclair Oil Corporation on the subject acreage.

2. Percentage or Fractional Interest of Parties Under Agreement:

Sinclair Oil Corporation	50%
John H. Trigg	50%

3. Leasehold Interest of the Parties:

Oil and Gas Lease from the United States of America to J. T. Bonner, lessee of record, dated April 1, 1948, Serial Number LC-060122, covering, among other lands, the S $\frac{1}{2}$  Section 22 and N $\frac{1}{2}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$  and N $\frac{1}{2}$ SE $\frac{1}{4}$  Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

4. Addresses of Parties to Whom Notices Should be Sent:

\*Sinclair Oil Corporation  
P. O. Box 1470  
Midland, Texas 79701

John H. Trigg  
P. O. Box 520  
Roswell, New Mexico

\*All accounting statements and billings should be mailed to Sinclair Oil Corporation, P. O. Box 521, Tulsa, Oklahoma 74102, Attention: Accounting Department. All other notices should be mailed to the Midland Office.

EXHIBIT "C"

Attached to and made a part of Operating Agreement covering  
lands in Eddy County, New Mexico

ACCOUNTING PROCEDURE  
(JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions
  - "Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.
  - "Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
  - "Operator" shall mean the party designated to conduct the Joint Operations.
  - "Non-Operators" shall mean the nonoperating parties, whether one or more.
  - "Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.
  - "Parties" shall mean Operator and Non-Operators.
  - "Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
  - "Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
2. Conflict with Agreement
 

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.
3. Collective Action by Non-Operators
 

Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.
4. Statements and Billings
 

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

  - A. Statement in detail of all charges and credits to the Joint Account.
  - B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
  - C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.
5. Payment and Advances by Non-Operators
 

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of ~~eight (8%)~~ **eight (8%)** percent annum until paid.
6. Adjustments
 

Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.
7. Audits
 

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties
 

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.
2. Labor
  - A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.
  - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
  - C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
  - D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**  
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
4. **Material**  
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. **Transportation**  
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
  - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
  - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
  - C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. **Services**
  - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 3 of this Section II and Paragraph 2 of Section III.
  - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 6 of Section IV.
7. **Damages and Losses to Joint Property**  
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. **Legal Expense**  
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. **Taxes**  
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.
10. **Insurance Premiums**  
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.
11. **Other Expenditures**  
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

### III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section I, as indicated next below:

#### OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

- Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- Paragraph 4. (Combined fixed rate)

#### District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's \_\_\_\_\_ office located at or near \_\_\_\_\_ (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

#### Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 3 of Section II.

#### WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE	PRODUCING WELL RATE		
	(Use Total Depth) Each Well	First Five	Next Five	All Wells Over Ten

cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or others before or involving governmental agencies shall be considered as included in the overhead rates provided for in Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators direct charge to the Joint Account.

3. Operator's Fully Owned Warehouse Operating and Maintenance Expense  
(To be fully the agreed procedure to be followed by the Operator.)

4. Combined Fixed Rates

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)		PRODUCING WELL RATE (Use Current Producing Depth)		All Wells Over Ten
	Each Well	First Five	Next Five		
0' - 4,000'	\$ 425	\$ 85	\$ 75	\$ 65	
4,000' - 8,000'	550	105	95	85	
8,000' - 12,000'	650	125	115	105	
Below 12,000'	750	140	130	120	

Said fixed rate ~~shall~~ (shall not) include salaries and expenses of production foremen.

5. Application of Administrative Overhead or Combined Fixed Rates

The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

- A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
  - B. The status of wells shall be as follows:
    - (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
    - (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
    - (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
    - (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
    - (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
    - (6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
  - C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
  - D. The well rates shall be adjusted on the first day of April of each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.
6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities,

6. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.

subject to the further provisions of this Section IV. Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. Material furnished from Operator's Warehouse or Other Properties

A. New Material (Condition "A")

- (1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
- (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which cannot be classified as Condition "B" but which,
  - (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
  - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

### 3. Premium Prices

## 3. PREMIUM PRICES

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that at least ten days prior notice in writing is furnished to Non-Operator of the proposed action to be taken by Operator in obtaining or supplying the material and/or equipment called for under the provisions of this paragraph, whereupon Non-Operator shall have the right by so electing and notifying Operator within such ten days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, -at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, appropriate adjustments of accounts between Operator and Non-Operator shall be made. Operator agrees to acquire the necessary short supplies and equipment required to conduct operations upon the jointly owned premises and to charge the joint account therefor as herein provided unless Non-Operator elects to supply all or part of same within the specified period of time.

### 3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

## VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

### 1. New Price Defined

New price as used in this Section VI shall be the price specified for New Material in Section IV.

### 2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

### 3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or

B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

### 4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or

B. Is serviceable for original function but not suitable for reconditioning.

### 5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

### 6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

### 7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

## VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

### 1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

### 2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

### 3. Special Inventories

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

## INSURANCE

**EXHIBIT D** — Operator shall at all times during the term of this Agreement carry insurance to protect the parties hereto as follows:

(1) Workmen's compensation and occupational disease insurance as required by the laws of the state or states in which operations will be conducted and employers' liability insurance with a limit of not less than \$100,000.

(2) Comprehensive general public liability insurance, excluding products liability insurance, with limits of not less than: \$100,000 applicable to bodily injury, sickness or death of any one person and \$100,000 for more than one person in any one accident, and \$100,000 for loss of or damage to property in any one accident and \$100,000 aggregate limit applicable to all loss of or damage to property during the policy period.

(3) Automobile public liability insurance covering all automotive equipment used in performance of work under this agreement with limits of not less than: \$100,000 applicable to bodily injury, sickness or death of any one person and \$100,000 for more than one person in any one accident, and \$25,000 for loss of or damage to property in any one accident.

If automotive equipment used is owned exclusively by Operator, no charge will be made to the Joint Account for premiums for this coverage except as provided in Section III, Paragraph 5 of the Accounting Procedure.

**EXHIBIT E** — Operator shall require all contractors performing work under this Agreement to carry the following insurance:

(1) Workmen's compensation and occupational disease insurance as required by the laws of the state or states in which operations will be conducted and employers' liability insurance with a limit of not less than \$100,000.

(2) Comprehensive general public liability insurance with limits of not less than: \$100,000 applicable to bodily injury, sickness or death of any one person and \$100,000 for more than one person in any one accident, and \$100,000 for loss of or damage to property in any one accident and \$100,000 aggregate limit applicable to all loss of or damage to property during the policy period.

(3) Automobile public liability insurance covering all automotive equipment used in performance of work under this agreement with limits of not less than: \$100,000 applicable to bodily injury, sickness or death of any one person and \$100,000 for more than one person in any one accident, and \$25,000 for loss of or damage to property in any one accident.

PLAINTIFF'S  
EXHIBIT  
12

ASSIGNMENT OF OIL AND GAS LEASE

STATE OF NEW MEXICO ) (
COUNTY OF EDDY ) (

For a good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Atlantic Richfield Company, whose address is 600 North Marienfeld, Midland, Texas 79701, (hereinafter referred to as "Assignor") does hereby sell, assign, transfer and convey unto Charles E. Nearburg, D/B/A Nearburg Exploration Company, whose address is 3300 North Avenue "A", Building 8, Suite 100, Midland, Texas 79705 (hereinafter referred to as "Assignee"), all of assignor's right, title and interest in and to the Oil and Gas Lease set forth below (hereinafter referred to as "Said Lease"), insofar and only insofar as said lease covers the lands described below from the surface of the earth to 10,035'.

Lease No.: NM LC-060122
Lessor: Bureau of Land Management
Date: April 1, 1948
Description: Insofar and only insofar as said lease covers the North Half (N/2) of Section 27, T-18-S, R-27-E, Eddy County, New Mexico

TO HAVE AND TO HOLD the interest assigned in and to said lease unto assignee, its successors and assigns; however, this assignment is made without warranty of title express or implied on the part of assignee.

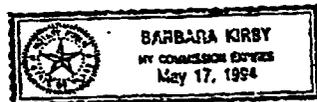
Executed this 21 day of NOVEMBER, 1991.

ATLANTIC RICHFIELD COMPANY

BY: [Signature]
its: Attorney-in-Fact

STATE OF TEXAS ) (
COUNTY OF MIDLAND ) (

This instrument was acknowledged before me this 21st day of November, 1991, by T. L. HOLLAND, Attorney-in-Fact of ATLANTIC RICHFIELD COMPANY, a Delaware Corporation.



[Signature]
Notary Public

RECEPTION
9112524

Nearburg Exploration
1 Petro Bldg 8, Ste 100
3300 N. "A" St
Midland Tx 79705

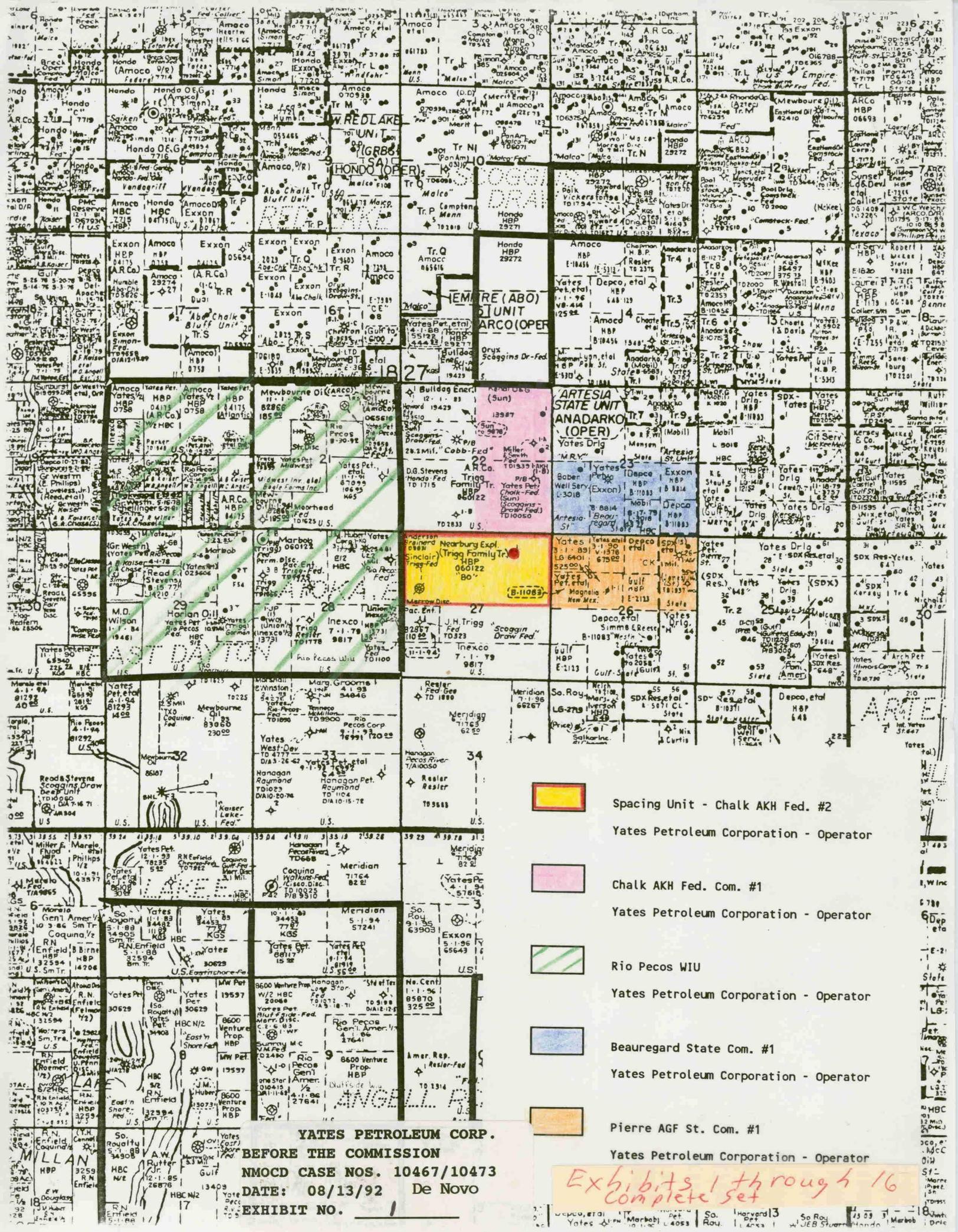
STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 6 day of December, A.D. 19 91 at 1:42 o'clock P. M., and duly recorded in BOOK 110 PAGE 949 of the Eddy County Records.

KAREN DAVIS, County Clerk

By [Signature] Deputy

PLAINTIFF'S  
EXHIBIT  
E

Yates Petroleum Corporation	10.50000%
Yates Drilling Company	5.25000
ABO Petroleum Corporation	5.25000
MYCO Industries, Inc.	5.25000
H.M. Bettis, Inc.	2.91375
Turnco Inc.	2.91375
L.E. Opperman	1.16550
Bettis Brothers, Inc.	10.50700
M. Craig Clark	3.12500
David Cromwell	<u>3.12500</u>
	50.00000%



-  Spacing Unit - Chalk AKH Fed. #2
-  Yates Petroleum Corporation - Operator
-  Chalk AKH Fed. Com. #1
-  Yates Petroleum Corporation - Operator
-  Rio Pecos WIU
-  Yates Petroleum Corporation - Operator
-  Beauregard State Com. #1
-  Yates Petroleum Corporation - Operator
-  Pierre AGF St. Com. #1
-  Yates Petroleum Corporation - Operator

YATES PETROLEUM CORP.  
 BEFORE THE COMMISSION  
 NMOCD CASE NOS. 10467/10473  
 DATE: 08/13/92 De Novo  
 EXHIBIT NO. 1

Exhibits 1 through 16  
 complete set

Chalk AKH Federal #2  
Working Interest Owners

Yates Petroleum Corporation	10.50000%
Yates Drilling Company	5.25000
Abo Petroleum Corporation	5.25000
Myco Industries, Inc.	5.25000
H.M. Bettis, Inc.	2.91375
Turnco Inc.	2.91375
L.E. Opperman	1.16550
Bettis Brothers, Inc.	10.50700
M. Craig Clark	3.12500
David Cromwell	3.12500
Nearburg Exploration Company	50.00000

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

March 24, 1992

Nearburg Exploration Company  
One Petroleum Center, Bldg. 8, Suite 100  
3300 North "A" Street  
Midland, TX 79705

RE: Chalk "AKH" Federal #2  
Township 18 South, Range 27 East  
Section 27: N/2  
Eddy County, New Mexico

Gentlemen:

Yates Petroleum Corporation hereby proposes to drill the captioned well to the Morrow formation at a location of 660' FNL and 1320' FEL of Section 27, Township 18 South, Range 27 East. Enclosed are two (2) copies of our Authority for Expenditure to drill this well.

Also enclosed is a copy of our December 11, 1991, Operating Agreement covering the lands under this spacing unit in which we own an interest, along with two (2) Ratifications of Operating Agreement. If you wish to participate in the drilling of this well, please sign and return one (1) copy of the AFE and one (1) copy of the Ratification to our office.

Thank you for your prompt attention to this matter. Please give us a call if you have any questions.

Very truly yours,

**YATES PETROLEUM CORPORATION**

Mecca Mauritsen  
Associate Landman

MM:jrw  
enclosure(s)

**YATES PETROLEUM CORP.**  
**BEFORE THE COMMISSION**  
**NMOC CASE NOS. 10467/10473**  
**DATE: 08/13/92 De Novo**  
**EXHIBIT NO. 3-A**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address
2.  Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Nearburg Exploration Company  
One Petroleum Center, Bldg. 8,  
Suite 100  
3300 North "A" Street  
Midland, TX 79705

**4a. Article Number**

P 885 890 613

**4b. Service Type**

- |   |  |
|---|--|
| <input type="checkbox"/> Registered           | <input type="checkbox"/> Insured                                   |
| <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD                                       |
| <input type="checkbox"/> Express Mail         | <input checked="" type="checkbox"/> Return Receipt for Merchandise |

**7. Date of Delivery**

3-25-92

**5. Signature (Addressee)****8. Addressee's Address (Only if requested and fee is paid)****6. Signature (Agent)**

*Chalk AKH #2*

Chalk AKH #2

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

April 2, 1992

Nearburg Exploration Company  
One Petroleum Center, Bldg. 8, Suite 100  
3300 North "A" Street  
Midland, TX 79705

RE: Chalk "AKH" Federal #3  
Township 18 South, Range 27 East  
Section 27: N/2  
Eddy County, New Mexico

Gentlemen:

Enclosed are two (2) copies of our Authority for Expenditure to drill the captioned well to the Morrow formation at a location of 660' FNL and 1980' FEL of Section 27, Township 18 South, Range 27 East.

Due to the pending force pooling, I have also enclosed the Operating Agreement, Ratification and Joinder of Operating Agreement and the Authority For Expenditure for the Chalk "AKH" Fed. #2 that we furnished to you last week. Please note that we have revised the location of the Chalk #2 well to 660' FNL and 1330' FEL.

Please review the Authority For Expenditures and the Operating Agreement, and if you wish to join in the drilling of these wells, execute and return one (1) copy of the AFE's in addition to one (1) copy of the Ratification and Joinder.

Thank you. Please call if you have any questions.

Very truly yours,

**YATES PETROLEUM CORPORATION**

*Mecca Mauritsen*  
Mecca Mauritsen  
Associate Landman

MM:jrw  
enclosure(s)

**YATES PETROLEUM CORP.**  
**BEFORE THE COMMISSION**  
**WMOCD CASE NOS. 10467/10473**  
**DATE: 08/13/92 De Novo**  
**EXHIBIT NO. 3-B**

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1.  Addressee's Address
2.  Restricted Delivery

Consult postmaster for fee.

**3. Article Addressed to:**

Nearburg Exploration Company  
One Petroleum Center, Bldg. 8,  
Suite 100  
3300 North "A" Street  
Midland, TX 79705

**4a. Article Number**

P 885 890 618

**4b. Service Type**

- |   |  |
|---|--|
| <input type="checkbox"/> Registered           | <input type="checkbox"/> Insured                                   |
| <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD                                       |
| <input type="checkbox"/> Express Mail         | <input checked="" type="checkbox"/> Return Receipt for Merchandise |

**7. Date of Delivery**

4-3-92

**5. Signature (Addressee)****8. Addressee's Address (Only if requested and fee is paid)**

Chalk AKH #3

**6. Signature (Agent)**

*C. Brardman*

DAVID W. CROMWELL

Consulting Geologist

407 North Big Spring, Suite 200  
Midland, Texas 79701  
915-682-8319

April 23, 1992

Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

RE: Yates #2 Chalk "AKH"  
660' FNL and 1330' FEL  
Section 27, T-18-S, R-27-E  
Eddy County, New Mexico

Dear Sirs:

In the matter of the drilling application on the above referenced well before the O. C. D., I would like to go on record as recommending Yates Petroleum Corporation to be operator. As a working interest owner and originator of this prospect, I believe that it is in the best interest of all parties in the #1 Chalk "AKH" (tr. I, Section 22, T-18-S, R-27-E) of which Yates Petroleum is the operator, to maintain the same operator in order to equitably develop the reservoir.

Thank you for your consideration in this matter.

Sincerely,



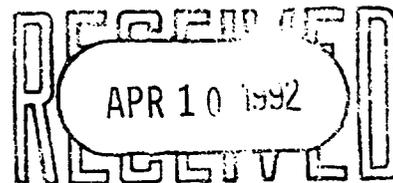
David W. Cromwell

DWC/nh

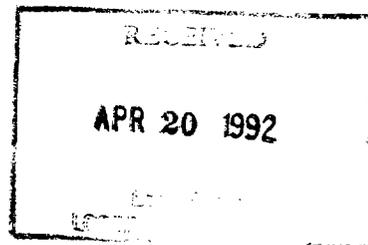
YATES PETROLEUM CORP.  
BEFORE THE COMMISSION  
MOCN CASE NOS. 10467/10473  
DATE: 08/13/92 De Novo  
EXHIBIT NO. 4

BETTIS BROTHERS, INC.

ONE FIRST CITY CENTER  
500 WEST TEXAS, SUITE 830  
MIDLAND, TEXAS 79701  
915/685-4128  
Fax# 915/685-0198



April 9, 1992



Yates Petroleum Corp.  
105 S. Fourth Street  
Artesia, New Mexico

RE: Chalk "AKH" Fed #2 &  
Chalk "AKH" Fed #3,  
N/2 Section 27, T18S, R27E,  
Eddy County, New Mexico

Gentlemen:

This letter is to serve as notice that Bettis Brothers, Inc., requests that Yates Petroleum Corporation be the designated operator of the above referenced properties.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Harry M. Bettis, Jr.".

Harry M. Bettis, Jr.

L. E. OPPERMANN  
One First City Center  
500 W. Texas, Suite 830  
Midland, Texas 79701  
(915) 685-0593

April 9, 1992

Yates Petroleum Corp.  
105 S. Fourth Street  
Artesia, New Mexico

RE: Chalk "AKH" Fed #2 &  
Chalk "AKH" Fed #3,  
N/2 Section 27, T18S, R27E,  
Eddy County, New Mexico

Gentlemen:

This letter is to serve as notice that I would like Yates Petroleum Corporation to be the designated operator of the above referenced properties.

Yours very truly,



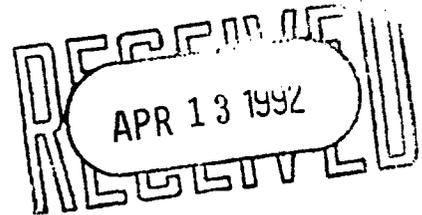
L. E. Oppermann

LEO/sg

BETTIS, BOYLE AND STOVALL  
Oil Producers  
P. O. Box 1240  
Graham, Texas 76450-7240

-----  
817-549-0780 Fax 817-549-7405

April 9, 1992



Yates Petroleum Corporation  
105 S. Fourth Street  
Artesia, New Mexico 88210

Re: Chalk "AKH" Fed #2 &  
Chalk "AKH" Fed #3,  
N/2 Section 27, T18S, R27E,  
Eddy County, New Mexico

Gentlemen:

This letter is to serve as notice that H. M. Bettis, Inc. and Turnco, Inc., request that Yates Petroleum Corporation be the designated operator of the above referenced properties.

Yours very truly,

BETTIS, BOYLE & STOVALL

*W Christian*  
Wayne T. Christian

WTC/sw

**M. CRAIG CLARK**

---

*Certified Professional Landman*

310 W. TEXAS AVE • SUITE 714 • MIDLAND, TX 79701 • (915) 684-3811

April 20, 1992

Mr. Ernest L. Carroll  
Losee, Carson, Haas & Carroll, P.A.  
P.O. Drawer 239  
Artesia, New Mexico 88211-0239

Re: Application of Yates Petroleum  
for Compulsory Pooling  
Eddy County, New Mexico

Dear Mr. Carroll:

Enclosed please find waivers for Cause No. 10467 covering the above captioned Application which I have executed stating that I have no objection to Yates Petroleum Corporation's proposed locations for the Chalk "AKH" Federal No. 2 & No. 3 wells.

In addition, I fully support Yates Petroleum Corporation to be Operator of the proposed wells.

Should you have any questions or problems, please do not hesitate to contact me.

Very truly yours,



M. Craig Clark

MCC/s  
Enclosures

*Mella*

SUBMIT IN TRIPLICATE\*  
(Other instructions on reverse side)

*Nancy T. KA*  
Form approved.  
Budget Bureau No. 1004-0136  
Expires August 31, 1985

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. LC-060122
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME
2. NAME OF OPERATOR Yates Petroleum Corporation		7. UNIT AGREEMENT NAME
3. ADDRESS OF OPERATOR 105 South Fourth Street, Artesia, NM 88210		8. FARM OR LEASE NAME Chalk "AKH" Federal
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)* At surface 660' FNL & 1330' FEL; Unit Letter B At proposed prod. zone Same		9. WELL NO. 2
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 12 miles east of Artesia, NM		10. FIELD AND POOL, OR WILDCAT Undesignated Morrow
10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) 660'	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL 320
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLICABLE FOR, ON THIS LEASE, FT.	19. PROPOSED DEPTH 10,025	20. ROTARY OR CABLE TOOLS Rotary
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3457. GR		22. APPROX. DATE WORK WILL START* ASAP

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8" H-40	48#	350'	300 sx circulated
12 1/4"	9 5/8" J-55	36#	1200'	600 sx circulated
8 3/4"	5 1/2" J-55	17. & 15.5	10,025'	500 sx

We propose to drill and test the Morrow and Intermediate formations. Approximately 350' of surface casing will be set and cement circulated to surface. Intermediate casing will be set approximately at 1200' and cement circulated. Production casing will be set to TD and cemented with adequate cover, perforated and treated as needed for production.

MUD PROGRAM: Fresh water LCM 350', Fresh water 1200', Cut brine 9000', SW Gel/Starch to TD

BOPE PROGRAM: BOPE installed on 9 5/8" casing, tested daily for operational, Yellow Jacket prior to drilling Wolfcamp.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED *Clifton R. May* TITLE Permit Agent DATE 4-20-92

(This space for Federal or State office use)

PERMIT NO. \_\_\_\_\_ APPROVAL DATE \_\_\_\_\_

APPROVED BY \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

CONDITIONS OF APPROVAL, IF ANY:

YATES PETROLEUM CORP.  
BEFORE THE COMMISSION  
NMOCD CASE NOS. 10467/10473  
DATE: 08/13/92 De Novo  
EXHIBIT NO. 5

Title 18 U.S.C. Section 1001, makes it a crime under the laws of the United States any false, fictitious or fraudulent

statement made to any department or agency of the United States within its jurisdiction.

Randy P

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

Submit to Appropriate  
District Office  
State Lease - 4 copies  
Fee Lease - 3 copies

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

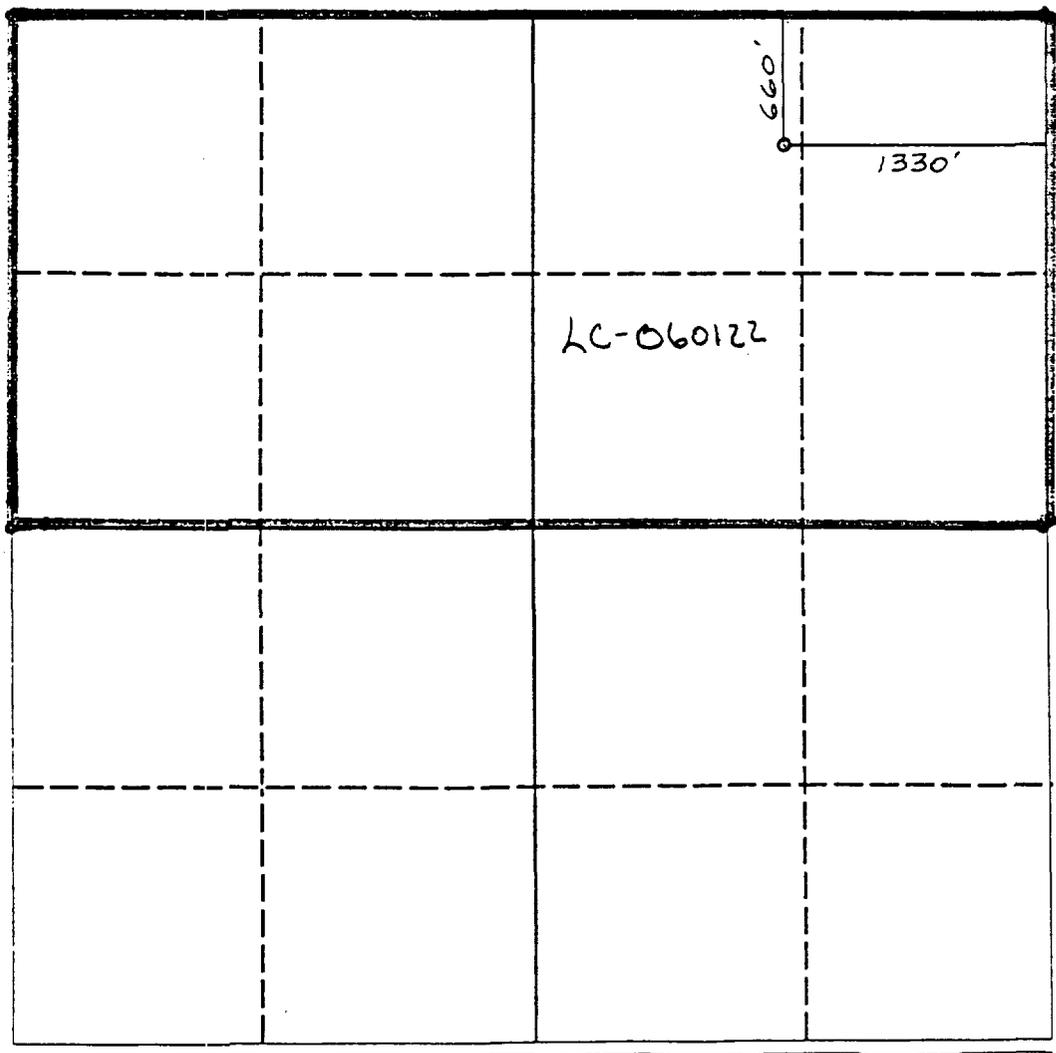
DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT  
All Distances must be from the outer boundaries of the section

Operator <b>YATES PETROLEUM CORPORATION</b>			Lease <b>CHALK AKH FEDERAL</b>			Well No. <b>2</b>		
Unit Letter <b>B</b>	Section <b>27</b>	Township <b>18 SOUTH</b>	Range <b>27 EAST</b>	County <b>EDDY COUNTY, NM</b>		NMPM		
Actual Footage Location of Well: <b>660</b> feet from the <b>NORTH</b> line and <b>1330</b> feet from the <b>EAST</b> line								
Ground level Elev. <b>3457.</b>		Producing Formation <b>Morrow</b>			Pool <b>Wildcat Morrow</b>		Dedicated Acreage: <b>320</b> Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
  - Yes  No
  - If answer is "yes" type of consolidation \_\_\_\_\_

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)  
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

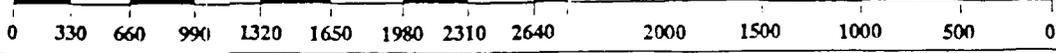


**OPERATOR CERTIFICATION**  
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Ken Beardemph*  
 Printed Name: **Ken Beardemph**  
 Position: **Landman**  
 Company: **Yates Petroleum Corporation**  
 Date: **4-17-92**

**SURVEYOR CERTIFICATION**  
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: **APRIL 3, 1992**  
 Signature: *[Signature]*  
 Professional Surveyor  
 NEW MEXICO  
 5412  
 CERTIFICATE NO. \_\_\_\_\_  
 SURVEYOR  
 NM PE&PS BOARD 5412  
 PROFESSIONAL ENGINEER



YATES PETROLEUM CORPORATION

Chalk "AKH" Federal #2  
660' FNL and 1330' FEL  
Section 27, T18S-R27E  
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Yates Petroleum Corporation submits the following ten items of pertinent information in accordance with USGS requirements.

1. The geological surface formation is Alluvium.
2. The estimated tops of geologic markers are as follows:

San Andres	1,150'
Bone Spring	4,460'
3rd Bone Spring	6,980'
Wolfcamp	7,100'
Cisco	7,572'
Strawn	8,800'
Atoka	9,350'
Morrow Clastics	9,700'
Lower Morrow	9,810'
Barnett Shale	10,000'
TD	10,025'
3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water:	250'
Oil or Gas:	Wolfcamp, Penn, Morrow
4. Proposed Casing Program: See Form 3160-3.
5. Pressure Control Equipment: See Form 3160-3 and Exhibit B.
6. Mud Program: See Form 3160-3.

7. Auxiliary Equipment: Kelly Cock; pit level indicators and flow sensor equipment; sub with full-opening valve on floor, drill pipe connection.
8. Testing, Logging and Coring Program:
  - Samples: 10' from surface casing to TD
  - DST's: None
  - Coring: None
  - Logging: CNL/LDT, TD to Casing with CNL to surface; DLL/MSFL TD to casing, Sonic log TD to casing
9. No abnormal pressures or temperatures are anticipated. No H<sub>2</sub>S is anticipated during the drilling of this well.
10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN  
Yates Petroleum Corporation  
Chalk "AKH" Federal #2  
660' FNL and 1330' FEL  
Section 27-T18S-R27E  
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 12 miles east of Artesia, New Mexico and the access route to the location is indicated in red and green on exhibit A.

DIRECTIONS:

1. Go east of Artesia on Highway 82 to Illinois Camp Road.
2. Turn south for approximately 4.5 miles to Eddy County Road #234.
3. Turn west for 1/2 mile and cross cattleguard.
4. Follow caliche road for 2 miles to cattleguard and take left after cattleguard for 1/4 mile.
5. New road starts here.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 500' in length from point of origin to the Northeast edge of the drilling pad. The road will lie in a north to south direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. No traffic turnouts will be built.
- D. The route of the road is visible.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Private pit located NE/4NE/4 Sec. 26, T18S-R27E

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk and other waste materials will be contained in trash bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES:

A. None required.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach. A cross section of drill pad with approximate cuts, fills and pad orientation is shown on Exhibit E.
- B. The reserve pits will be plastic lined.
- C. A 400' X 400' area has been staked and flagged.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After finishing re-entry and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Land Management  
P. O. Box 1778  
Carlsbad, New Mexico 88220

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

A. Through A.P.D. Approval:

Ken Beardemphl, Landman  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505)748-1471

B. Through Drilling Operations,  
Completions and Production:

Mike Slater, Operations Manager  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505)748-1471

13. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

April 10, 1992  
Date

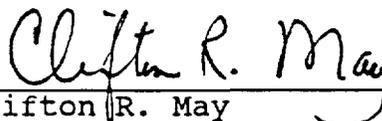
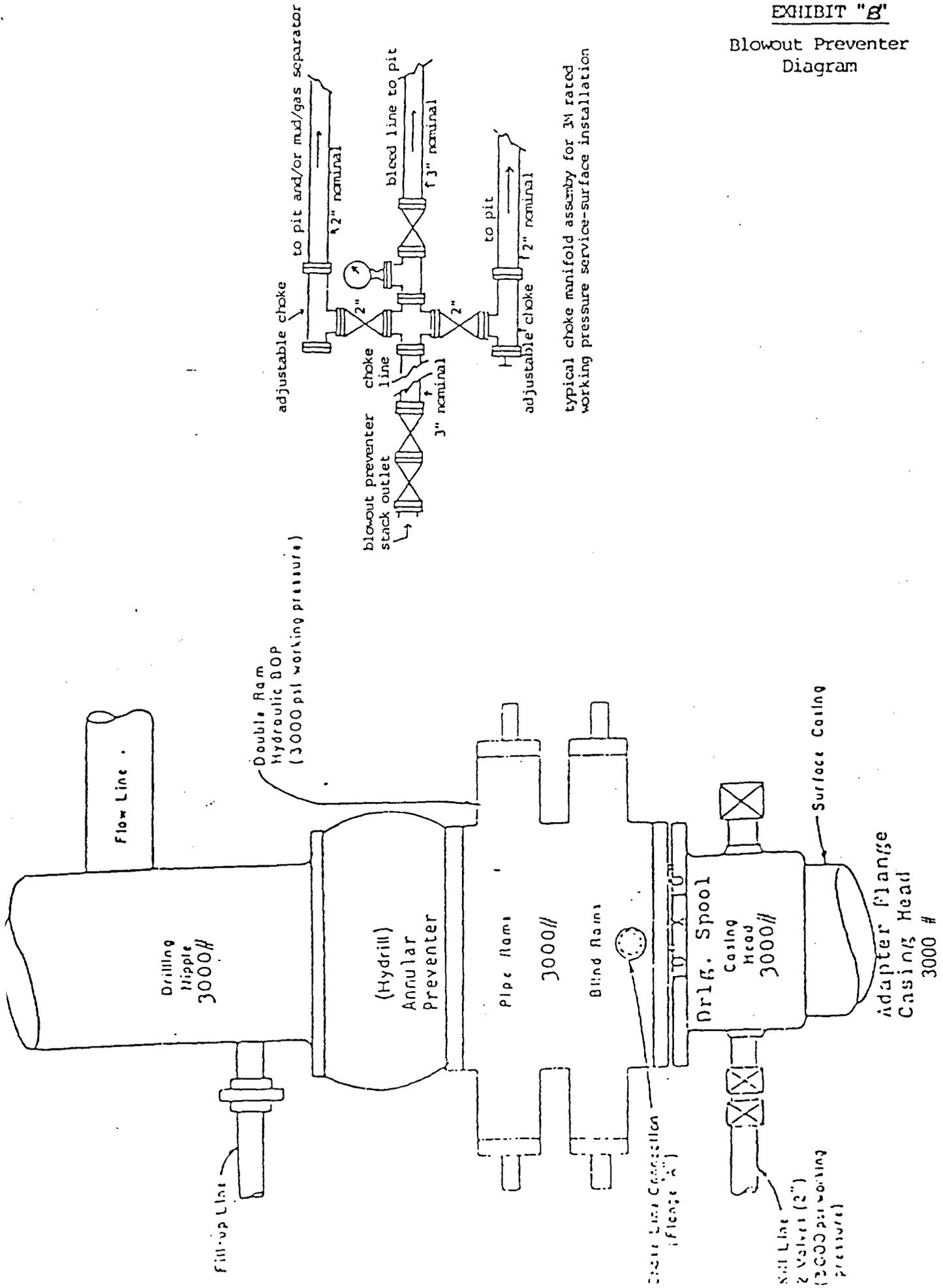
  
\_\_\_\_\_  
Clifton R. May  
Permit Agent



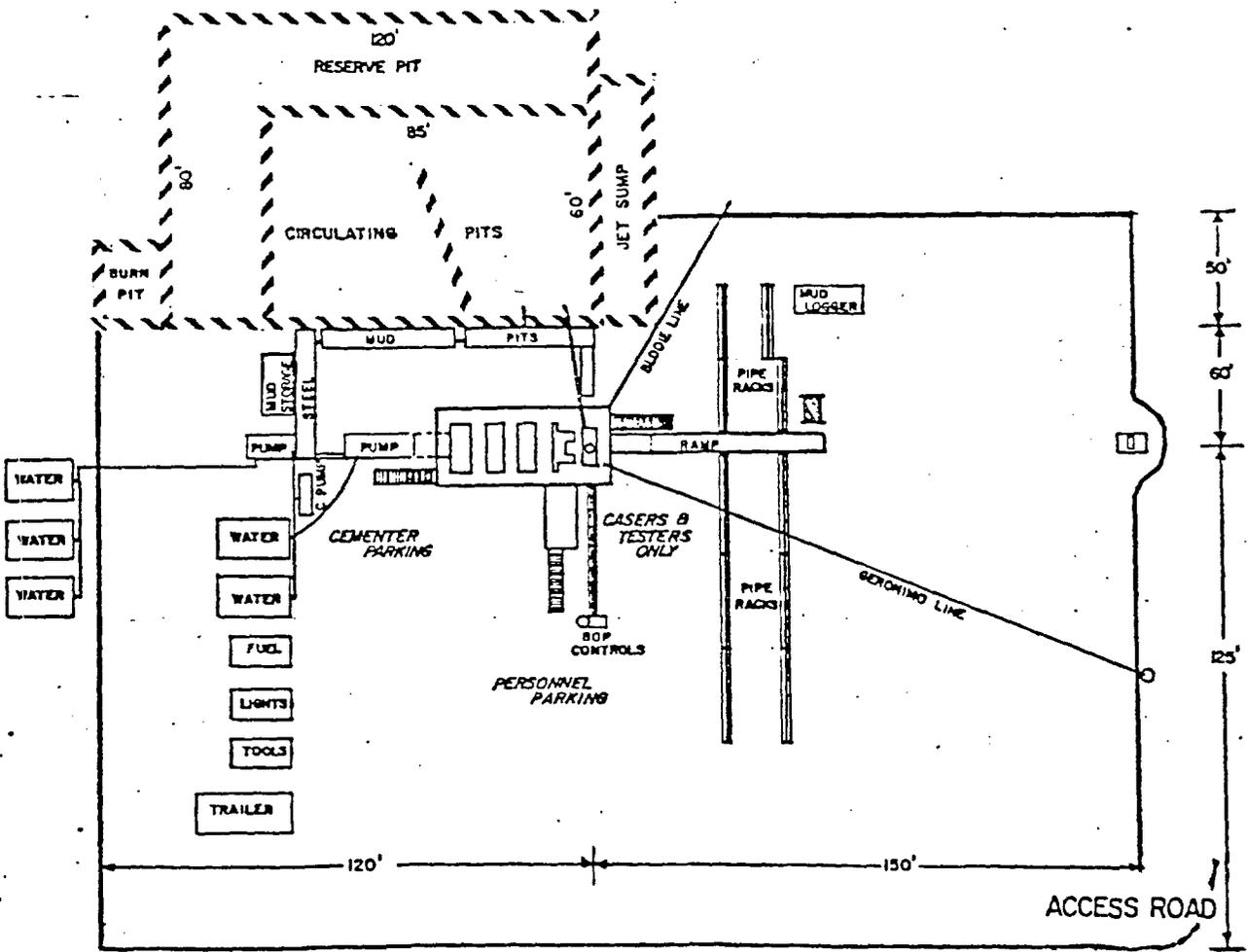
EXHIBIT "G"

Blowout Preventer  
Diagram



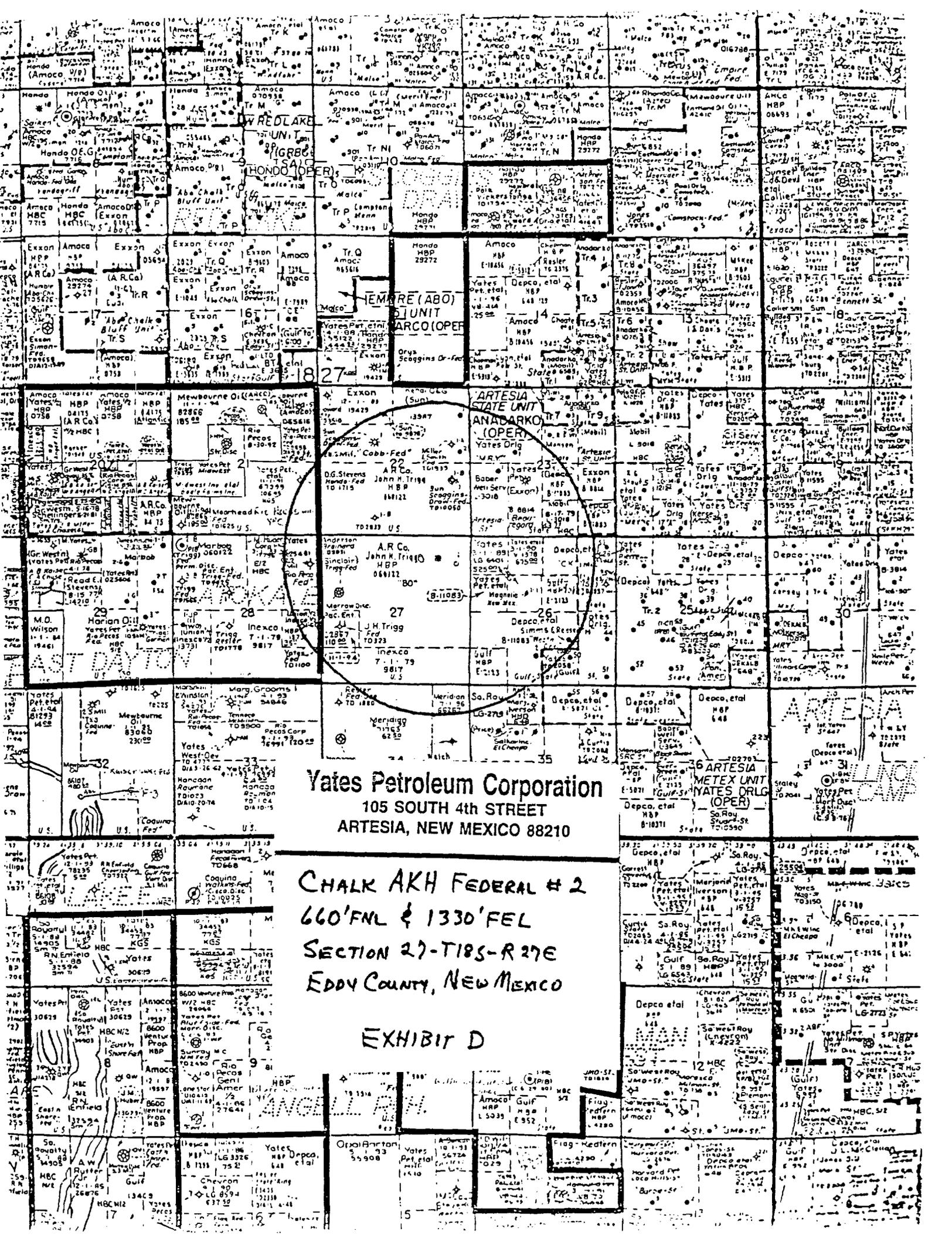
typical choke manifold assembly for 3M rated working pressure service-surface installation

# YATES PETROLEUM CORPORATION



DRILLING RIG LAYOUT  
Scale: Inch = 50 feet

EXHIBIT C



Yates Petroleum Corporation  
 105 SOUTH 4th STREET  
 ARTESIA, NEW MEXICO 88210

CHALK AKH FEDERAL # 2  
 660' FNL & 1330' FEL  
 SECTION 27-T18S-R 27E  
 EDDY COUNTY, NEW MEXICO

EXHIBIT D

ANGELLAN

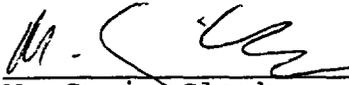
ARTESIA  
 METEX UNIT  
 YATES DRUG  
 (OPER)

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, M. CRAIG CLARK has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

  
\_\_\_\_\_  
M. Craig Clark

4/20/92  
\_\_\_\_\_  
Date

YATES PETROLEUM CORP.  
BEFORE THE COMMISSION  
NMOCD CASE NOS. 10467/10473  
DATE: 08/13/92 De Novo  
EXHIBIT NO. 6

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, TURNCO, INC. has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

TURNCO, INC.

By: Wayne Christian

President  
Title

4/2/92  
Date

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, **BETTIS BROTHERS, INC.** has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

**BETTIS BROTHERS, INC.**

By:  \_\_\_\_\_

President  
Title \_\_\_\_\_

4/1/92  
Date \_\_\_\_\_

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, H. M. BETTIS, INC. has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

H. M. BETTIS, INC.

By: *H. M. Bettis*

*PRES*  
Title

*4-7-92*  
Date

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, ORYX ENERGY COMPANY has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

ORYX ENERGY COMPANY

By: J. D. Hishell by Patrick Selva

Geological Manager  
Title

4/8/92  
Date

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, DAVID W. CROMWELL has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.



\_\_\_\_\_  
David W. Cromwell

13 April 92

\_\_\_\_\_  
Date

BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, BABER WELL SERVICING has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

BABER WELL SERVICING

By: \_\_\_\_\_

PRESIDENT

Title

APRIL 2, 1992

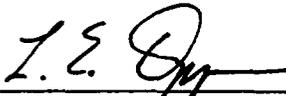
Date

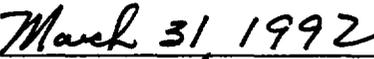
BEFORE THE OIL CONSERVATION DIVISION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :  
YATES PETROLEUM CORPORATION FOR : CASE NO. 10467  
COMPULSORY POOLING, EDDY COUNTY, :  
NEW MEXICO :  
\_\_\_\_\_ :

WAIVER

As an offset operator, L. E. OPPERMANN has no objections to Yates Petroleum Corporation drilling its proposed Chalk "AKH" Federal No. 2 Well located at a point 660 feet from the North line and 1320 feet from the East line of Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico.

  
\_\_\_\_\_  
L. E. Oppermann

  
\_\_\_\_\_  
Date



**EXHIBIT "A"**

CHALK NO. 2

H. M. Bettis, Inc.  
Turnco, Inc.  
P. O. Box 1240  
Graham, TX 76540

Bettis Brothers, Inc.  
L.E. Oppermann  
500 West Texas, Suite 830  
Midland, TX 79701

M. Craig Clark  
310 W. Texas, Suite 714  
Midland, TX 79705

David W. Cromwell  
2819 West Shandon  
Midland, TX 79705

Nearburg Exploration Company  
One Petroleum Center, Bldg. 8  
330 North "A" Street, Ste. 100  
Midland, TX 79705

Oryx Energy Company  
P. O. Box 2880  
Dallas, TX 75221-2880

Baber Well Servicing  
P. O. Box 1772  
Hobbs, NM 88240

CHALK NO. 3

H. M. Bettis, Inc.  
Turnco, Inc.  
P. O. Box 1240  
Graham, TX 76540

Bettis Brothers, Inc.  
L.E. Oppermann  
500 West Texas, Suite 830  
Midland, TX 79701

M. Craig Clark  
310 W. Texas, Suite 714  
Midland, TX 79705

David W. Cromwell  
2819 West Shandon  
Midland, TX 79705

Nearburg Exploration Company  
One Petroleum Center, Bldg. 8  
Suite 100  
330 North "A" Street  
Midland, TX 79705

LAW OFFICES

LOSEE, CARSON, HAAS & CARROLL, P. A.

ERNEST L. CARROLL  
JOEL M. CARSON  
JAMES E. HAAS  
A. J. LOSEE  
DEAN B. CROSS  
MARY LYNN BOGLE

300 YATES PETROLEUM BUILDING  
P. O. DRAWER 239  
ARTESIA, NEW MEXICO 88211-0239

TELEPHONE  
(505) 746-3505  
TELECOPY  
(505) 746-6316

March 30, 1992

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

L. E. Oppermann  
500 West Texas, Suite 830  
Midland, Texas 79701

Re: Applications of Yates Petroleum Corporation  
for Compulsory Pooling, Eddy County, New Mexico

Dear Mr. Oppermann:

This office represents Yates Petroleum Corporation. On March 24, 1992 Yates Petroleum Corporation filed its Application for compulsory pooling for its Chalk "AKH" Federal No. 2 Well, and on March 27, 1992 it filed its Application for compulsory pooling for its Chalk "AKH" Federal No. 3 Well, both in Section 27, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico. Copies of both Applications are enclosed for reference.

The New Mexico Oil Conservation Division has set April 30, 1992 as the date for said hearing on both Applications. Any party wishing to appear must file a prehearing statement by the Friday prior to the date of hearing, and any party wishing to receive other parties' prehearing statements or pleadings must file an entry of appearance.

I am also enclosing Waivers for your execution and return to me should you have no objection to said Applications. If you intend to object to said Applications, please let me know. If you have any questions, please do not hesitate to contact me.

Very truly yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.

Ernest L. Carroll

ELC:bjk  
Enclosures

EXHIBIT "B"

**SENDER:**  
 Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 P.E. Oppmann  
 500 W. Texas, Suite 830  
 Midland, TX 79701

4a. Article Number  
 7916 634 430  
 4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise  
 7. Date of Delivery  
 3-31-92

5. Signature (Addressee)  
 P.E. Oppmann

8. Addressee's Address (Only if requested and fee is paid)

**SENDER:**  
 Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Mr. David M. Cromwell  
 2819 W. Shandon  
 Midland, TX 79705

4a. Article Number  
 7916 634 428  
 4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise  
 7. Date of Delivery

5. Signature (Addressee)  
 David M. Cromwell

8. Addressee's Address (Only if requested and fee is paid)

**SENDER:**  
 Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Mr. M. Gray Clark  
 310 W. Texas, Suite 714  
 Midland, TX 79701

4a. Article Number  
 7916 634 431  
 4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise  
 7. Date of Delivery  
 MAR 31 1992

5. Signature (Addressee)  
 M. Gray Clark

8. Addressee's Address (Only if requested and fee is paid)

**SENDER:**  
 Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 M. M. Bette, Inc.  
 P.O. Box 1240  
 Packer, TX 76540

4a. Article Number  
 P570 253 433  
 4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise  
 7. Date of Delivery  
 APR 6 1992

5. Signature (Addressee)  
 M. M. Bette, Inc.

8. Addressee's Address (Only if requested and fee is paid)

**SENDER:**  
 Complete items 1 and/or 2 for additional services.  
 Complete items 3, and 4a & b.  
 Print your name and address on the reverse of this form so that we can return this card to you.  
 Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 Write "Return Receipt Requested" on the mailpiece below the article number.  
 The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

3. Article Addressed to:  
 P.E. Oppmann  
 500 W. Texas, Suite 830  
 Midland, TX 79701

4a. Article Number  
 7916 634 430

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 APR 2 1992

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
 P.E. Oppmann

8. Addressee's Address (Only if requested and fee is paid)

• Complete Items 1 and/or 2 for additional services.  
 • Complete Items 3, and 4a & b.  
 • Print your name and address on the reverse of this form so that we can return this card to you.  
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Baker Well Services  
 P.O. Box 1772  
 Hobbs, NM 88240

4a. Article Number  
 P 574 253 452

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 3-31-92

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
 [Signature]

6. Signature (Agent)

**SENDER:**  
 • Complete Items 1 and/or 2 for additional services.  
 • Complete Items 3, and 4a & b.  
 • Print your name and address on the reverse of this form so that we can return this card to you.  
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Dux Energy Company  
 P.O. Box 2880  
 Dallas, TX 75221-2880

4a. Article Number  
 P 574 253 209

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 APR 02 1992

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)

6. Signature (Agent)  
 [Signature]

PS Form 3811, November 1990 \* U.S. GPO: 1991-287-086 **DOMESTIC RETURN RECEIPT**

**SENDER:**  
 • Complete Items 1 and/or 2 for additional services.  
 • Complete Items 3, and 4a & b.  
 • Print your name and address on the reverse of this form so that we can return this card to you.  
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Marburg Exploration Co  
 Petroleum Center, Bldg 8  
 Suite 100, 3300 North 71st  
 Midland, TX 79705

4a. Article Number  
 P 916 634 409

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 3-31-92

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
 [Signature]

6. Signature (Agent)  
 [Signature]

PS Form 3811, November 1990 \* U.S. GPO: 1991-287-086 **DOMESTIC RETURN RECEIPT**

**SENDER:**  
 • Complete Items 1 and/or 2 for additional services.  
 • Complete Items 3, and 4a & b.  
 • Print your name and address on the reverse of this form so that we can return this card to you.  
 • Attach this form to the front of the mailpiece, or on the back if space does not permit.  
 • Write "Return Receipt Requested" on the mailpiece below the article number.  
 • The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):  
 1.  Addressee's Address  
 2.  Restricted Delivery  
 Consult postmaster for fee.

3. Article Addressed to:  
 Bettis Brothers, Inc  
 500 W. Texas, Suite 830  
 Midland, TX 79701

4a. Article Number  
 P 574 253 199

4b. Service Type  
 Registered  Insured  
 Certified  COD  
 Express Mail  Return Receipt for Merchandise

7. Date of Delivery  
 3-31-92

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)  
 [Signature]

6. Signature (Agent)

PS Form 3811, November 1990 \* U.S. GPO: 1991-287-086 **DOMESTIC RETURN RECEIPT**