CASE # 8454

Letters to offset operators.

December 20, 1984

Western Oil Producers, Inc.
P. O. Box 1498
Roswell, New Mexico 88201

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Western Oil Producers, Inc., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool, (Statewide Rules).

This is to advise that Western Oil Producers, Inc. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

WESTERN OIL PRODUCERS, INC.

By:_____

Title:_____

Date:_____

December 20, 1984

Union Oil Co. of California
500 N. Marienfeld
Midland, Texas 79701

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Union Oil Co. of California, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Union Oil Co. of California has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

UNION OIL CO. OF CALIFORNIA

By:_____

Title:_____

Date:_____

December 20, 1984

Pennzoil Company
P. O. Box 1828
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Pennzoil Company, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Pennzoil Company has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

PENNZOIL COMPANY

By:_____

Title:_____

Date:_____

December 20, 1984

Champlin Petroleum
Two Allen Center, Suite 1900
Houston, Texas 77002

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Champlin Petroleum, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Champlin Petroleum has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

CHAMPLIN PETROLEUM

By:_____

Title:_____

Date:_____

December 20, 1984

Wainoco Oil & Gas Co.
1200 Smith St., Suite 1500
Houston, Texas 77002

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Wainoco Oil & Gas Co., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Wainoco Oil & Gas Co. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

WAINOCO OIL & GAS CO.

By:_____

Title:_____

Date:_____

December 20, 1984

Gulf Oil Corp.
P. O. Box 1150
Midland, Texas 79701

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Gulf Oil Corporation, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Gulf Oil Corporation has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

GULF OIL CORPORATION

By:_____

Title:_____

Date:_____

December 20, 1984

Delta Drilling Co.
P. O. Box 3467
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Delta Drilling Co., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Delta Drilling Co. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

DELTA DRILLING CO.

By:_____

Title:_____

Date:_____

December 20, 1984

Bass Enterprises Petroleum Co.
Mr. and Mrs. Perry K. Bass
Mr. and Mrs. Ralph Nix
c/o P. O. Box 2760
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Bass Enterprises Petroleum Co., Perry K. Bass and wife Nancy Bass and Ralph Nix and wife Frances Nix, as offset operators or offset owners of operating rights, have been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Bass Enterprises Petroleum Co., Perry K. Bass and wife Nancy Bass and Ralph Nix and wife Frances Nix have no objection to the granting of a permit to drill at this location and hereby waive objection and notice of hearing on this application.

Very truly yours,

_____ _____

Perry K. Bass Nancy Bass

_____ _____

Ralph Nix Frances Nix

BASS ENTERPRISES PETROLEUM CO.

By:_____

Title:_____

Date:_____

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF TXO PRODUCTION CORP. FOR COMPULSORY POOLING AND AN UNORTHODOX LOCATION, EDDY COUNTY, NEW MEXICO : CASE NO. _____

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that on the 20th day of December, 1984, the undersigned did mail in the United States Post Office at Artesia, New Mexico, a true copy of the Application of TXO Production Corp. for Compulsory Pooling and an Unorthodox Location, in a securely sealed postage prepaid envelope, addressed to Gulf Oil Corporation, P. O. Box 1150, Midland, Texas, 79702.

Patti Menefee

Patti Menefee

SUBSCRIBED AND SWORN TO before me this 20th day of December, 1984.

Rebecca J. Dickson

Notary Public

My commission expires:
1-9-88

Case # 8454

BASS ENTERPRISES PRODUCTION CO.
3700 CLAYDESTA NATIONAL BANK, 6 DESTA DRIVE
P. O. BOX 2760
MIDLAND, TEXAS 79702

(915) 688-3300

JANUARY 7, 1985

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
& East Carlsbad (Morrow) Pool
Delta Fee #1 Well
S/2 Section 2, T22S, R27E
Eddy County, New Mexico
File: County Files

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Gentlemen:

Please find enclosed a waiver of objection by Bass Enterprises Production Co. and Perry R. Bass for the proposed unorthodox location of TXO Production Company's Delta Fee No. 1 Well.

Very truly yours,

J. E. Pulliq
Division Manager

JSR
JEP:JDR/gp
Attachment

CC: J. E. Greve
TXO Production Co., Attn: David Hundley
900 Wilco Bldg.
Midland, TX 79701

BASS ENTERPRISES PRODUCTION CO.
3700 CLAYDESTA NATIONAL BANK, 6 DESTA DRIVE
P. O. BOX 2760
MIDLAND, TEXAS 79702

(915) 688-3300

JANUARY 7, 1985

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
& East Carlsbad (Morrow) Pool
Delta Fee #1 Well
S/2 Section 2, T22S, R27E
Eddy County, New Mexico
File: County Files

Bass Enterprises Production Co. and Perry R. Bass, as offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T22S, R27E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Bass Enterprises Production Co. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

This waiver is granted by the undersigned provided the party or parties seeking the non-standard location by acceptance of this waiver do hereby agree that the said undersigned may drill an offsetting well at a like non-standard location without penalty if the said undersigned deems the drilling of such a well necessary to protect correlative rights.

OFFSET OPERATOR: BASS ENTERPRISES PRODUCTION CO. AND PERRY R. BASS

AUTHORIZED BY: 
W. E. PULLIG, DIVISION MANAGER

DATE: JANUARY 7, 1985

champlin

Case 8454

January 9, 1985

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorothodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow) Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Champlin Petroleum, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Champlin Petroleum has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

CHAMPLIN PETROLEUM COMPANY

J. R. Carter, Jr.

JRC:rgo

cc: David M. Hundley
TXO Production Corp.
900 Wilco Building
Midland, Texas 79701

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

April 29, 1985

Chad Dickerson
Dickerson, Fisk & Vandiver
Attorneys at Law
Seventh and Mahone, Suite E
Artesia, New Mexico 88210

Dear Mr. Dickerson:

Per your request received in this office April 25, 1985, under the provisions of Division Order No. R-7817, TXO Production Company is hereby granted an extension of time to commence a well from May 1, 1985 to August 1, 1985.

Sincerely,

R. L. Stamets / m.s.

R. L. STAMETS
Director

RLS/MES/fd

cc: TXO Production Company
State Land Office - Louhannah Walker
Case File 8454

[redacted]

Letters to offset operators

December 20, 1984

Western Oil Producers, Inc.
P. O. Box 1498
Roswell, New Mexico 88201

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox Drilling Permit
East Carlsbad (Wolfcamp) Pool and East Carlsbad (Morrow) Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Western Oil Producers, Inc., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool, (Statewide Rules).

This is to advise that Western Oil Producers, Inc. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

WESTERN OIL PRODUCERS, INC.

By:_____

Title:_____

Date:_____

December 20, 1984

Union Oil Co. of California
500 N. Marienfeld
Midland, Texas 79701

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Pee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Union Oil Co. of California, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Union Oil Co. of California has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

UNION OIL CO. OF CALIFORNIA

By:_____

Title:_____

Date:_____

December 20, 1984

Pennzoil Company
P. O. Box 1828
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Pennzoil Company, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Pennzoil Company has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

PENNZOIL COMPANY

By:_____

Title:_____

Date:_____

December 20, 1984

Champlin Petroleum
Two Allen Center, Suite 1900
Houston, Texas 77002

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Champlin Petroleum, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Champlin Petroleum has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

CHAMPLIN PETROLEUM

By:_____

Title:_____

Date:_____

December 20, 1984

Wainoco Oil & Gas Co.
1200 Smith St., Suite 1500
Houston, Texas 77002

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Wainoco Oil & Gas Co., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Wainoco Oil & Gas Co. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

WAINOCO OIL & GAS CO.

By:_____

Title:_____

Date:_____

December 20, 1984

Gulf Oil Corp.
P. O. Box 1150
Midland, Texas 79701

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Gulf Oil Corporation, as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Gulf Oil Corporation has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

GULF OIL CORPORATION

By:_____

Title:_____

Date:_____

December 20, 1984

Delta Drilling Co.
P. O. Box 3467
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Delta Drilling Co., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Delta Drilling Co. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

DELTA DRILLING CO.

By:_____

Title:_____

Date:_____

December 20, 1984

Bass Enterprises Petroleum Co.
Mr. and Mrs. Perry K. Bass
Mr. and Mrs. Ralph Nix
c/o P. O. Box 2760
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox Drilling Permit
East Carlsbad (Wolfcamp) Pool and East Carlsbad (Morrow) Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Bass Enterprises Petroleum Co., Perry K. Bass and wife Nancy Bass and Ralph Nix and wife Frances Nix, as offset operators or offset owners of operating rights, have been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Bass Enterprises Petroleum Co., Perry K. Bass and wife Nancy Bass and Ralph Nix and wife Frances Nix have no objection to the granting of a permit to drill at this location and hereby waive objection and notice of hearing on this application.

Very truly yours,

_____ _____
Perry K. Bass Nancy Bass

_____ _____
Ralph Nix Frances Nix

BASS ENTERPRISES PETROLEUM CO.

By:_____

Title:_____

Date:_____

December 20, 1984

C&K Petroleum, Inc.
c/o Enstar Petroleum, Inc.
P. O. Box 3546
Midland, Texas 79702

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

C&K Petroleum, Inc., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that C&K Petroleum, Inc. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

C&K PETROLEUM, INC.

By:_____

Title:_____

Date:_____

January 3, 1985

Mr. and Mrs. Ralph Nix
P. O. Box 617
Artesia, New Mexico 88210

Re: Application for Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Dear Mr. and Mrs. Nix:

TXO Production Corp. plans to drill the Delta Fee #1 well at a location 660' FSL and 660' FEL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. This well is being planned as a 11,800' Morrow and Wolfcamp Test. The field rules for both the East Carlsbad Wolfcamp and East Carlsbad Morrow fields are 1980' from the end on the proration unit and 660' from the side of the proration unit (Statewide Rules). Consequently, TXO's Delta Fee #1 well will require an exception to the NMOCD's Rule 104 C II (a). According to this rule, permission to drill the Delta Fee #1 at the proposed location requires notice and hearing.

TXO wishes to drill this well at the proposed location because we feel it is necessary if we are to recover oil and gas reserves underlying our operating rights in our lease. We are also convinced that the distance from the proposed location to other producing wells is sufficient to ensure no harmful effect on other producers.

If you have no objection to this location, please date and execute the attached Waivers of Objection and return two (2) executed copies to us in the enclosed self-addressed envelope. Please give me a call should you have any questions or want to discuss this matter further. Your prompt and favorable response will be sincerely appreciated.

Sincerely,

David M. Hundley
Area Landman

DMH/bv
Enclosure

cc: Mr. Chad Dickerson
P. O. Drawer 239
Artesia, New Mexico 88210

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application for an Unorthodox
Drilling Permit
East Carlsbad (Wolfcamp) Pool
and East Carlsbad (Morrow)
Pool
Delta Fee #1 Well
S/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Ralph Nix and wife Frances Nix, as offset operators or offset owners of operating rights, have been advised of the intention of TXO Production Corp. to drill the referenced 11,800' Morrow and Wolfcamp Test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the lease lines than the rules specify for the East Carlsbad Morrow Gas Pool and the East Carlsbad Wolfcamp Gas Pool (Statewide Rules).

This is to advise that Ralph Nix and wife Frances Nix have no objection to the granting of a permit to drill at this location and hereby waive objection and notice of hearing on this application.

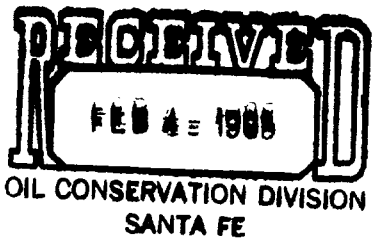
Very truly yours,

_____
Ralph Nix

_____
Frances Nix

Date:_____

TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992
January 31, 1985



Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. Gilbert P. Quintana

Re: Case #8454
Docket #3-85

Dear Mr. Quintana:

On January 16, 1985, the above referenced case was heard before you. In this case, TXO Production Corp. sought approval for an unorthodox gas well location as well as compulsory pooling from the top of the Wolfcamp to the base of the Morrow Formation underlying the S/2 Section 2, T-22-S, R-27-E, Eddy County, New Mexico.

As part of my testimony in Case #8454, I submitted an Operating Agreement in which the following overhead rates were requested:

Drilling Well Rate	$5,233.00 per month
Producing Well Rate	$524.00 per month

After my testimony you asked if TXO Production Corp. had drilled other wells in this area in which the requested rates were used and if so would I furnish a copy of such an Operating Agreement. In accordance with your request, enclosed please find an Operating Agreement for TXO Production Corp.'s Cambridge Royalty #1 well, which was recently drilled in Southwestern Lea County, New Mexico. Please note I have also attached signature pages from our partners for this well.

I hope this copy of the Operating Agreement will satisfy your request and the overhead rates which we requested will be approved. Currently we are completing title work and settling surface location damages for the well we plan to drill in the S/2 of Section 2, T-22-S, R-27-E. So that we may accurately plan our drilling rig schedule, would it be possible for us to know when to expect an order on Case #8454 from your office?

Thank you for assistance and cooperation and please call me collect at the number shown above should you have any questions.

Sincerely,

David M. Hundley

David M. Hundley
District Landman

DMH/bv
Enclosure
cc: Mr. Chad Dickerson
Dickerson, Fisk & Vandiver
Mahone Office Court, Suite E
7th and Mahone
Artesia, New Mexico 88210

Mr. W. Thomas Kellahin
Kellahin and Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

November 26, 19 84 ,

OPERATOR TXO Production Corp.

CONTRACT AREA SW/4 Section 12, T-16-S, R-35-E

COUNTY ~~XXXXXXXXXX~~ OF LEA STATE OF NEW MEXICO

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between TXO Production Corp. _____, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

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

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean 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".

E. 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 Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☐ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement.
- (4) Oil and gas leases and or oil and gas interests subject to this agreement.
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.
☒ C. Exhibit "C", Accounting Procedure.
☒ D. Exhibit "D", Insurance.
☒ E. Exhibit "E", Gas Balancing Agreement.
☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, 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.

B. Interest of Parties in Costs and Production:

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 agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, or (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs for which it may have theretofore been responsible, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and subsequently incurred

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and whose title failed

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

TXO Production Corp. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract 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 willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of ~~xxxxxx~~ one (1) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area 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 are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of February, 1985, Operator shall commence the drilling of a well for oil and gas at the following location:

510' FSL and 1980' FWL of Section 12, T-16-S, R-35-E, Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to 11,500' or a depth sufficient to thoroughly test the Strawn Formation

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon 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 well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back 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, the party desiring to drill, rework, deepen or plug back such a well shall 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 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. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. *The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision. *and failure so to advise the proposing party shall constitute an election under (b).

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. 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 Article 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 Article, 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 and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, 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 Article, 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) 300 % 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 Article VIII.C., and

*"A well to be drilled to a depth of 10,000 feet subsurface or less, and 400% of that portion of such costs in a well to be drilled to a total depth greater

*"or 400% as applicable"

300 *of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, 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 Party conducting the operations for 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. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. 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; and 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 material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to 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, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., 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 Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract 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. 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. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser 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 Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. 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. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days prior written notice of such intended sale.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as Exhibit "E", or is a separate Agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract 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, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily 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 Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, 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 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 related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals or the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals or the formation or formations then open to production, for a term of one year and so long thereafter as oil and or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, 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.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. 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 Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are 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 the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

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 expense 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 expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense 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 as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen thousand---------- Dollars ($ 15,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, 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 to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifteen thousand---------- Dollars ($ 15,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of One-fourth (1/4th) _____ due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, 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. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C". See Article XV.D. for additional provisions

If Operator considers any tax assessment improper, Operator may, at its discretion, protest 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. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any 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".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

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.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

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

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, 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. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". 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 other than the royalties retained in any lease made under the terms of this Article. 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. The value of all material shall be 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 assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract 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 Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all 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 Article 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 agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases. See Article XV.E for additional provisions.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract 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 tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. 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 Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, 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 Contract 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 Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right 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, at its discretion, may 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 agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract 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 or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Four thousand---------- Dollars ($ 4,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
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 reasonable diligence to remove the force majeure situation as quickly as practicable.

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 action, governmental delay, restraint or inaction, 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.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice 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, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

X Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 120 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 120 days from the date of abandonment of said well.

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.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Sale of Gas Production:

It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Contract Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Contract Area, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

B. Billing Additional Interests:

Notwithstanding the provisions of this agreement and of the accounting procedure attached as Exhibit "C", the Parties to this agreement specifically agree that in no event during the term of this contract shall Operator be required to make more than one billing for the entire interest credited to each Party on Exhibit "A". It is further agreed that if any Party to this agreement (hereinafter referred to as "Selling Party') disposes of part of the interest credited to it on Exhibit "A", the Selling Party shall be solely responsible for billing its assignee or assignees, and shall remain primarily liable to the other parties for the interest or interests assigned and shall make prompt payment to Operator for the entire amount of statements and billing rendered to it. It is further understood and agreed that if Selling Party disposes of all its interest as set out on Exhibit "A", whether to one or several assignees, Operator shall continue to issue statements and billings to the Selling Party for the interest conveyed until such time as Selling Party has designated and qualified one assignee to receive the billing for the entire interest. In order to qualify one assignee to receive the billing for the entire interest credited to Selling Party on Exhibit "A", Selling Party shall furnish to Operator the following:

1. Written notice of the conveyance and photostatic or certified copies of the assignments by which the transfer was made.

2. The name of the assignee to be billed and a written statement signed by the assignee to be billed in which it consents to receive statements and billings for the entire interest credited to Selling Party on Exhibit "A" hereof; and, further, consents to handle any necessary sub-billings in the event it does not own the entire interest credited to Selling Party on Exhibit "A".

C. Disbursement of Royalties:

If a purchaser of any oil, gas or other hydrocarbons produced from the Contract Area declines to make disbursements of all royalties, overriding royalties, working interests, and other payments out of, or with respect to, production revenues which are payable on the Contract Area, Operator may, at its option, from time to time, make disbursements on behalf of any Non-Operator who requests in writing that Operator do so. Each Non-Operator for whom such disbursement is made shall furnish Operator with the following:

1. Such documents as may be necessary in the opinion of Operator to enable Operator to receive all payments for oil, gas or other hydrocarbons directly from the purchaser thereof.

2. An initial list of names, addresses, and interest (to a seven place decimal), on a tract, unit, purchase contract, or other such basis as, in the opinion of Operator, is necessary for efficient administration, for all royalty, overriding royalty and other interest owners who are entitled to proceeds from the sale of production attributable to such Non-Operator's interest. Also, any changes to the initial list shall be furnished promptly to Operator in writing.

Operator will use its best efforts to make dusbursements correctly, but will be liable for incorrect disbursement only in the event of gross negligence or willful misconduct. Any Non-Operator for whom such disbursements are made hereby agrees to indemnify and hold harmless Operator for any loss, including court costs and attorney's fees, which may be incurred as a result of Operator's making such disbursements in the manner prescribed by Non-Operator.

D. Article VII.G., Addition:

If the Operator is required hereunder to pay ad valorem taxes based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the percentage of tax value generaged by each party's working interest.

E. Article VIII.B., Addition:

Notwithstanding anything to the contrary contained herein, each party committing a lease or leases to this agreement shall have the option upon the expiration of each lease to renew or extend such lease and to bear the renewal or extension costs and expenses and thereby retain its original interest and title in said lease. By exercising such option, the parties' working interests shall remain unchanged. If the original lease owner does not exercise its option within sixty (60) days after the expiration date of the original lease, the renewal or extension lease will then be subject to the terms of this article as written above. If any working interest owner other than the original lease owner renews or extends the lease, the renewing or extending party shall furnish the original lease owner an itemized statement of the complete renewal or extension costs and expenses of such lease. The original lease owner shall have sixty (60) days after the receipt of such itemized statement to reimburse the renewing or extending party in full. Failure of the original lease owner to do so shall result in the forfeiture of its option hereunder. The provisions hereof shall only apply to leases or portions of leases located in the Contract Area.

F. As between the interest of TXO and FINA, this Agreement shall be subject and subordinate to that Certain Oil & Gas Lease Acquisition and Development Agreement dated October 22, 1982, between TXO PRODUCTION CORP. and APCOT-FINADEL JOINT VENTURE. In the event of a conflict between this agreement and the Oil & Gas Lease Acquisition and Development Agreement, the terms of the Oil and Gas Lease Acquisition and Development Agreement shall prevail. Upon termination of the Oil & Gas Lease Acquisition and Development Agreement, this Agreement shall be amended as between TXO and FINA in the manner provided in Article XXI of the Oil & Gas Lease Acquisition and Development Agreement.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 26th day of November, 19 84.

OPERATOR

TXO PRODUCTION CORP.

By: _____
John D. Huppler, Senior Vice President

NON-OPERATORS

ATTEST

_____

READ & STEVENS, INC.

By: _____

Title: _____

ATTEST

_____

ALTO OIL AND GAS, INC.

By: _____

Title: _____

_____
Ruben H. Johnson

_____
Adolph A. Kremel

_____
Alton C. White, Jr.

_____
Ronald J. Byers

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF MIDLAND §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared JOHN D. HUPPLER, Known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said TXO PRODUCTION CORP., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 21st day of November, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
Midland County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said READ & STEVENS, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of _____, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
_____ County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said ALTO OIL AND GAS, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of _____, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
_____ County, Texas

INDIVIDUAL ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ruben H. Johnson, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5th day of December, 1984.

Rena Mae Hoelscher
Rena Mae Hoelscher
Notary Public in and for
Travis County, Texas

My Commission Expires:
October 31, 1988

RENA MAE HOELSCHER
NOTARY PUBLIC, STATE OF TEXAS
COMMISSION EXPIRES 10/31/88

INDIVIDUAL ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Adolph A. Kremel, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5th day of December, 1984.

Rena Mae Hoelscher
Rena Mae Hoelscher
Notary Public in and for
Travis County, Texas

My Commission Expires:
October 31, 1988

RENA MAE HOELSCHER
NOTARY PUBLIC, STATE OF TEXAS
COMMISSION EXPIRES 10/31/88

INDIVIDUAL ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Alton C. White, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5th day of December, 1984.

Rena Mae Hoelscher
Rena Mae Hoelscher
Notary Public in and for
Travis County, Texas

My Commission Expires:
October 31, 1988

RENA MAE HOELSCHER
NOTARY PUBLIC, STATE OF TEXAS
COMMISSION EXPIRES 10/31/88

INDIVIDUAL ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ronald J. Byers, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5th day of December, 1984.

Rena Mae Hoelscher
Rena Mae Hoelscher
Notary Public in and for
Travis County, Texas

My Commission Expires:
October 31, 1988

RENA MAE HOELSCHER
NOTARY PUBLIC, STATE OF TEXAS
COMMISSION EXPIRES 10/31/88

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 26th day of November, 19 84.

OPERATOR

TXO PRODUCTION CORP.

By: John D. Huppler, Senior Vice President

NON-OPERATORS

ATTEST

READ & STEVENS, INC.

By: _____

Title: _____

ATTEST _____

ALTO OIL AND GAS, INC.

By: _____

Title: _____

_____
Ruben H. Johnson

_____
Adolph A. Kremel

_____
Alton C. White, Jr.

_____
Ronald J. Byers

Robert E. Boling
Robert E. Boling

INDIVIDUAL ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Ronald J. Byers, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of _____, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
_____ County, Texas

INDIVIDUAL ACKNOWLEDGMENT

THE STATE OF ~~TEXAS~~ NEW MEXICO §
§
COUNTY OF EDDY §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Robert E. Boling, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5 day of December 1984.

Patricia Ferguson
Notary Public in and for
_____ County, Texas

My Commission Expires:
11-3-86

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 26th day of November, 19 84.

OPERATOR

TXO PRODUCTION CORP.

By: _____
John D. Huppler, Senior Vice President

NON-OPERATORS

ATTEST

_____
Joel M. Wigley, Secretary

READ & STEVENS, INC.

By: _____
Norman L. Stevens, Jr.
Title: Vice-President

ATTEST _____

_____

ALTO OIL AND GAS, INC.

By: _____

Title: _____

_____
Ruben H. Johnson

_____
Adolph A. Kremel

_____
Alton C. White, Jr.

_____
Ronald J. Byers

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF MIDLAND §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared JOHN D. HUPPLER, Known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said TXO PRODUCTION CORP., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 21st day of November, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
Midland County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF New Mexico §
§
COUNTY OF Chaves §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Norman L. Stevens, Jr. known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said READ & STEVENS, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 5th day of December, 1984.

My Commission Expires:
5-11-86

Randall P. Tait
Notary Public in and for
Chaves County, ~~Texas~~ New Mexico

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said ALTO OIL AND GAS, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of _____, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
_____ County, Texas

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 26th day of November, 19 84.

OPERATOR

TXO PRODUCTION CORP.

By: John D. Hupplen cot
John D. Hupplen, Senior Vice President

NON-OPERATORS

ATTEST

READ & STEVENS, INC.

By: _____

Title: _____

ATTEST

ALTO OIL AND GAS, INC.

Connie Y. Awalt

By: Ted Hamm

Title: president

Ruben H. Johnson

Adolph A. Kremel

Alton C. White, Jr.

Ronald J. Byers

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF MIDLAND §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared JOHN D. HUPPLER, Known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said TXO PRODUCTION CORP., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 21st day of November, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
Midland County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF _____ §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said READ & STEVENS, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of _____, 1984.

My Commission Expires:
_____

_____
Notary Public in and for
_____ County, Texas

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF Midland §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Jed Harmon, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said ALTO OIL AND GAS, INC., a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 27th day of November 1984.

My Commission Expires:
9-11-88

Sherran Dishman
Notary Public in and for
Midland County, Texas

EXHIBIT "A"

Attached to and made a part of that certain Joint Operating Agreement dated November 26, 1984 by and between TXO Production Corp., Operator and Read & Stevens, Inc. et al, Non-Operator

CONTRACT AREA

SW/4 Section 12, T-16-S, R-35-E, Lea County, New Mexico

DEPTH LIMITATIONS

11,500' or a depth sufficient to thoroughly test the Strawn Formation

PARTIES TO THIS AGREEMENT, THEIR ADDRESSES AND INTERESTS

	Before Payout	After Payout
TXO Production Corp. 900 Wilco Building Midland, Texas 79701 Attention: Frank Kieffer	.5000000	.5000000
Read & Stevens, Inc. P. O. Box 1518 Roswell, New Mexico 88201	.3925781	.3925781
Alto Oil and Gas, Inc. 401 W. Wadley Midland, Texas 79703 Attention: Ted Hannon	.0761719	.0761719
* Ruben H. Johnson	.0078125	.0078125
* Adolph A. Kremel	.0078125	.0078125
* Alton C. White, Jr.	.0078125	.0078125
* Ronald J. Byers ~~1600 x United x Bank x Tower x~~ ~~400 x West x 15th x Street x~~ ~~Austin, x Texas x 78701~~	.0078125	.0078125
	1.0000000	1.0000000

*The individual addresses of the above separate parties to this agreement are as follows:

Ruben H. Johnson
Post Office Box 1237
Austin, Texas 78767

Adolph A. Kremel
5601 Palisade Court
Austin, Texas 78731

Alton C. White, Jr.
1506 Westover Road
Austin, Texas 78703

Ronald J. Byers
1600 United Bank Tower
400 West Fifteenth Street
Austin, Texas 78701

EXHIBIT "B"

Producers 88—TXO Form 111 - Revised 4-79
With Pooling Clause

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this _____ day of _____, 19_____, between _____

_____

_____, hereinafter called "lessor" (whether one or more), whose post office address

is _____,

and _____,

hereinafter called "lessee", whose post office address is _____.

1. Lessor, in consideration of _____ Dollars ($_____)
in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets, exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas and all other minerals, injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, electric transmission lines, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land

in _____ County, Texas, to-wit:

Notwithstanding any particular description, it is nevertheless the intention of lessor to include within this lease, and lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners,

the leased lands being hereinafter referred to as "said land". For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise _____ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term ~~of five (5) years~~ as long as this JOA is in effect from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled, or this lease is maintained by virtue of some other provision hereof.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected with lessor's interest in either case bearing its proportion of any expenses for treating oil to make it marketable as crude and lessee having the option, at any time or from time to time, to purchase lessor's oil at the well, paying therefor the lawful market price on the date of purchase for oil of like grade and gravity prevailing for the field nearest where such oil is produced; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold, one-eighth of the amount realized from such sale; (c) on gas, including casinghead gas and all gaseous substances, produced from said land and used off said land by lessee and not benefitting lessor, the market value at the mouth of the well of one-eighth of the gas so used off said land; (d) on all other minerals mined and marketed, one-eighth, either in kind or value at the well or mine, at lessee's election, except that on sulphur the royalty shall be One Dollar ($1.00) per long ton; and (e) if at any time while there is a gas well or wells on the said land or land pooled therewith (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) and such well or wells are shut-in, this lease shall continue in force for a period of either: (1) ninety (90) days from the date such well or wells are shut-in; (2) ninety (90) days from the effective date for inclusion of said land or a portion thereof within a unit on which is located a shut-in gas well; (3) the date this lease ceases to be maintained by the payment of annual delay rentals; or (4) ninety (90) days from the date this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and before the expiration of any such period lessee or any assignee hereunder may pay or tender an advance annual royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and if such payment or tender is made, this lease shall continue in force and it shall be considered that gas is being produced from said land in paying quantities within the meaning of Paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and this lease shall continue in force and it will be considered that gas is being produced from said land in paying quantities within the meaning of said Paragraph 2 during any annual period for which such royalty is so paid or tendered; such advance annual royalty may be paid or tendered in the same manner and to the same depository as provided herein for the payment or tender of delay rentals; royalty accruing to the owners thereof on any production from said land during any annual period for which advance annual royalty is paid may be credited against such advance payment.

4. If operations for drilling or mining are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless

on or before one (1) year from said date lessee shall pay or tender to lessor a rental of _____

Dollars ($ _____) which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payment or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term. Payment or tender of

rental may be made to lessor or to the _____ Bank, _____, which bank, or any successor thereof, shall continue to be the agent for lessor and lessor's heirs, representatives, successors and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another method of payment or tender. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor or either lessor if more than one, on or before the rental paying date, and the payment or tender will be deemed made when the check or draft is so delivered or mailed. If lessee shall, on or before any rental or advance annual royalty payment date, make a bona fide attempt to pay or deposit a rental or advance annual royalty payment to a lessor or royalty owner entitled thereto under this lease according to lessee's records at the time of such payment, and if such payment or deposit shall be erroneous in any regard, lessee shall be obligated to pay to such lessor or royalty owner the rental or advance annual royalty payment properly payable for the period involved, but this lease shall be maintained in the same manner as if such erroneous payment or deposit had been properly made, provided that lessee shall correct such erroneous payment within thirty (30) days following receipt by lessee of written notice from such lessor or royalty owner of the error accompanied by any documents and other evidence necessary to enable lessee to make proper payment.

5. Lessee is hereby given the power and right, as to all or any part of said land and as to any one or more of the formations thereunder and the minerals therein or produced therefrom, at its option and without lessor's joinder or further consent, to at any time, and from time to time, either before or after production, pool and unitize the leasehold estate and the lessor's royalty estate created by this lease with the rights of third parties, if any, in all or any part of said land and with any other land, lands, leases, mineral and royalty rights, or any of them adjacent, adjoining, or located within the immediate vicinity of said land, whether owned by lessee or some other person, firm or corporation, so as to create by such pooling and unitization one or more drilling or production units, when to do so would, in the sole judgment of lessee, promote the conservation of oil, gas or other mineral. Each such drilling or production unit, when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by lessee to additionally include any other formation or formations and any other mineral or minerals therein or produced therefrom. Also, any such unit may be altered or enlarged by lessee at any time so long as the total acreage therein does not exceed the maximum hereinafter specified. Each such drilling or production unit shall not exceed forty (40) acres, plus an acreage tolerance not to exceed ten per cent (10%) of forty (40) acres, when created for the purpose of drilling for or producing oil therefrom and six hundred forty (640) acres, plus an acreage tolerance not to exceed ten per cent (10%) of six hundred forty (640) acres, when created for the purpose of drilling for or producing gas, condensate or any combination of such minerals therefrom; provided, however, if the maximum drilling or production unit fixed or allowed by the regulatory authority, Federal or State, having jurisdiction in the premises, as a basis for the development and operation of or the production from the field in which said land is located, be more than said maximum, then each such unit created hereunder may conform substantially in size with those so prescribed or permitted and in force in the field at the time such unit is created. As to each such unit so created by lessee, there shall be allocated to the acreage covered by this lease, and included in the pooled unit, such portion of the production from said unit as the number of acres out of this lease placed in any such unit, as such unit from time to time may be constituted, bears to the total number of acres included in such unit, and lessor agrees to accept and shall receive the royalties (advance or other kind) elsewhere specified in this lease, based upon the production so allocated to this lease or the proceeds therefrom. The commencement, drilling, completion of, reworking of or production from a well on any portion of the unit created hereunder shall have the same effect upon the terms of this lease as if a well were commenced, drilled, completed, reworked or producing on the land embraced by this lease. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. If lessee does create any such unit or units under the rights herein granted, then lessee shall execute in writing and record in the county or counties in which each such unit or units created hereunder may be located an instrument identifying and describing each such unit or units so created. The development of and production from each such unit shall be in accordance with the valid orders, rules and regulations of the lawful authority, either Federal or State, having jurisdiction in the premises. Any such unit created by lessee in accordance with the terms hereof may be released and dissolved by lessee by a release filed for record in the county or counties in which such unit is located at any time after the completion of a dry hole or the cessation of production on such unit. The provisions of this paragraph shall be construed as a covenant running with the land and shall inure to the benefit of and be binding upon the parties hereto, their heirs, representatives, successors and assigns.

6. If, prior to discovery of oil, gas or other mineral on said land or land pooled therewith, lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, gas or other mineral, the production thereof should cease from any cause, this lease shall not terminate if lessee commences additional drilling, mining or reworking operations within ninety (90) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of three (3) months from date of completion and abandonment of said dry hole or holes or the cessation of production. If, at the expiration of the primary term, oil, gas or other mineral is not being produced from said land or land pooled therewith but lessee is then engaged in operations for drilling, mining or reworking of any well or mine thereon, this lease shall remain in force so long as such operations or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than ninety (90) consecutive days, and, if they result in production, so long thereafter as oil, gas or other mineral is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred (200) feet of and draining said land, lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the lessee, when not fraudulently exercised, in carrying out the purposes of this lease shall be conclusive.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, including repressuring, pressure maintenance, cycling and secondary recovery operations, and the royalty shall be computed after deducting any so used. Any structures and facilities placed on said land by lessee for operations hereunder and any well or wells on said land drilled or used for the injection of salt water or other fluids may also be used for lessee's operations on other lands in the same area. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred (200) feet of any residence or barn now on said land without lessor's consent.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, representatives, successors and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting the chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of this lease, such default shall not affect this lease insofar as it covers a part of said land upon which lessee of any assignee thereof shall make payment of said rentals. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

EXHIBIT " C "

Attached to and made a part of That certain Joint Operating Agreement dated November 26, 1984 by and between TXO Production Corp., Operator and Read & Stevens, Inc. et al, Non-Operator

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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators See last page

~~Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their~~ share of estimated cash outlay for the succeeding month's operation. Operator shall adjust ~~each monthly~~ billing to reflect advances received ~~from~~ the Non-Operators.

Each Non-Operator shall pay its proportion of ~~all bills~~ within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest ~~monthly~~ at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury ~~laws~~ in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the ~~collection of unpaid amounts~~.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2 Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. 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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. 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.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. 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 in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or

( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. 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 the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 5,233.00

Producing Well Rate $ 524.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April 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 calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus

B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(3) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. 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. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

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

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices 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 Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of the estimated cash outlay for the suceeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the maximum legal rate permitted by the applicable usury laws in the state in which the joint property is located; or, if the maximum legal permitted rate is less than eighteen percent (18%) per annum and such rate may be modified as agreed between the parties, then, in such event, the unpaid balance shall bear interest monthly at the rate of eighteen percent (18%) per annum. However, pursuant to either rate, attorney's fees, court costs, and all other costs incurred in connection with the collection of these unpaid amounts shall be reasonable

EXHIBIT "D"

SCHEDULE OF INSURANCE

A. Unit Operator shall carry the following insurance covering operations under this agreement at the expense and for the benefit of the parties hereto and shall require contractors and subcontractors to carry the same, to-wit:

Workmen's Compensation as required by the laws of the state where the property is located and Employer's Liability Coverage with not less than $500,000.00 for each accident. Any such policy of insurance shall contain a waiver of subrogation in favor of Non-Operator.

B. Unit Operator may carry and maintain in force for its benefit insurance of the type and in the amount which Operator in its sole opinion deems necessary to protect it from loss resulting from any claims, damages, causes of action or legal liability in favor of a surface or mineral owner of lands covered hereby, arising out of, in connection with, or as an incident to any act or omission of Operator, its officers, agents or employees in carrying out its responsibilities under this Agreement.

EXHIBIT "E"

GAS BALANCING AGREEMENT

I.

From and after the date of initial delivery of gas from the property, a party owner taking and disposing of, during any monthly accounting period, less than its full share of the gas as it is produced, shall be an "underproduced party", if such lesser taking and disposition is not a consequence of other provisions of this Agreement. A party owner's "full share" shall be the amount of a party owner's gas determined in accordance with the provisions of the Operating Agreement. A party owner taking and disposing of during any monthly accounting period, more than its full share of the gas as it is produced, shall be an "overproduced party", if such excess taking and disposition is not a consequence of other provisions of this Agreement. "Underproduction" of any underproduced party, during any monthly accounting period, shall be the difference between such party's full share of gas production, less its full share of gas used in property operations, vented and lost, and the gas delivered to the pipeline(s) for the account of such party owner. "Overproduction" of any overproduced party, during any monthly accounting period, shall be the difference between the gas delivered to the pipeline(s) for the account of such party owner and such party's full share of gas production, less its full share of gas used in property operations, vented and lost.

II.

This Agreement shall become effective on the date of initial deliveries of gas from the property to the pipeline, and shall continue in force and effect until deliveries of gas from the property have ceased and, except as otherwise provided herein, each party shall have the right to take in kind its full share of each separate "gas classification." "Gas classification", as used herein, shall mean each of the price categories provided or established pursuant to the Natural Gas Policy Act of 1978, as same may be amended, by any authority having the right to establish categories thereunder, or pursuant to any other applicable statute or judicial decision establishing gas price categories, including gas not subject to price regulation, which shall be considered as a separate category. Where the gas qualifies for more than one category, the category having the highest price applicable to the source (each separate identifiable geologic source or production contained in a well bore) of gas production shall be used for the determination to be made hereunder. Whenever the gas price category changes, from and after the date of such change, the gas shall no longer be accounted for or be considered in the former category, but shall be accounted for and thereafter be considered to be gas in the new category, until such time as the category is again changed.

III.

Should a party fail to take its full share of the different gas classifications produced from the property, except as provided hereinbelow where such party is to furnish make-up gas, such party's underproduction shall be regarded as remaining in storage in the reservoirs, subject to later recovery in accord with the terms hereof. During any monthly accounting period when a party is unable to take and market its full share (as such quantity may be reduced in accordance with provisions herein for providing make-up gas) of each gas classification, the other joint interest owners shall be entitled to produce and sell all or a portion of such quantity which the party has failed to take. If two or more parties are capable of taking and marketing quantities of gas to which such party was thus entitled but which it failed to take, in the absence of other agreement between them, each may take a share of such underproduction in the direct proportion of its joint interest therein to the total joint interest therein of all parties desiring to take such underproduction, provided, however, that any party or parties having a cumulative underproduction status shall have a first priority to take and market the underproduction over a party or parties having a cumulative overproduction status.

Any party having cumulative underproduction of a particular gas classification category shall be entitled to take a quantity of gas of such particular gas classification ("make-up") in excess of its full share of such gas up to twenty-five percent (25%) of the full share of gas of parties having cumulative overproduction of such particular gas classification. In the event there is more than one cumulative underproduced party seeking to make up underproduction, each such cumulative underproduced party shall be entitled to make up gas in the direct proportion that the cumulative underproduction of such party bears to all cumulative underproduction of all parties then desiring make-up

VI.

At the termination of gas production for a given gas classification category from the property, the overproduced party or parties shall make a monetary settlement of the imbalance by payment to the Operator for the account of the party or parties underproduced in that particular gas classification category, based on the price per Mcf the overproduced party or parties actually received for each Mcf of the overproduced gas. The price used for the above calculation shall be the overproduced party's or parties' bonafide collected gas sales price(s) less royalties, severance, and other production taxes which have been paid with respect to such overproduction. Each of the parties agrees to maintain complete records as to the volume of gas it sold and the price received, so that the above computations can be made. The Operator shall distribute the payments it has received hereunder (from the overproduced party) to the underproduced party or parties entitled thereto in the proportion that each party's cumulative underproduction, for the category of gas for which payment is to be made, bears to the total of such cumulative underproduction. It is understood, however, that the Operator shall rely on the statements made to it, and shall have no liability with respect to the correctness of the funds received by it.

VII.

Royalties shall be paid in accordance with provisions of the Operating Agreement. The Operator shall be reimbursed by each party taking gas for all royalty due and payable by Operator with respect to production taken by such party. Each party taking gas under the terms hereof shall pay any and all applicable taxes due on or with respect to such production. Each party shall be obligated to pay its working interest share of all costs and liabilities incurred in Unit operations, in accordance with the provisions of the Operating Agreement. Nothing herein shall be construed so as to deny to any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser.

VIII.

If any portion of the storage fee provided for in Article V or the settlement provided for in Article VI shall be based on prices subject to refund upon order of the Federal Energy Regulatory Commission or any authority having jurisdiction, the paying party or parties shall withhold such amounts subject to refund until prices are fully approved by the Federal Energy Regulatory Commission, unless the party or parties receiving payments furnish a corporate undertaking satisfactory to the paying party(ies).

EXHIBIT "F"

NONDISCRIMINATION AND CERTIFICATION OF NONSEGREGATED FACILITIES

A. Equal Opportunity Clause (41 CFR 60-1.4). (Applicable only to contracts or purchase orders for more than $10,000.)

During the performance of this contract, the Operator agrees as follows:

(1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or terminations, including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Operator's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be canceled, terminated, or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Operator will include the provisions of paragraph (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

B. Certification of Nonsegregated Facilities (41 CFR 60-1.8). (Applicable only to contracts or purchase orders which are not exempt from the provisions of the Equal Opportunity Clause set out above.)

The Operator certifies that it does not, and will not, maintain or provide for its employees any segregated facilities at any of its establishments, nd that it does not, and will not, permit its employees to perform their services at any location, under its control, where segregated facilities are aintained. The Operator agrees that a breach of this certification is a violation of the Equal Opportunity Clause in this contract or purchase order. s used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other ating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, ransportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, reed, color, or national origin, because of habit, local custom, or otherwise. The Operator further agrees that (except where it has obtained identical ertifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the ward of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that it will retain such ertifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have ubmitted identical certifications for specific time periods): NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICA-IONS OF NONSEGREGATED FACILITIES. A Certificate of Nonsegregated Facilities must be submitted prior to the award of a subcontract xceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each ubcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually).

C. Affirmative Action Compliance Program (41 CFR 60-1.40). (Applicable only if (a) the Operator has 50 or more employees and (b) the contract or purchase order is for $50,000 or more.)

The Operator shall develop a written affirmative action program for each of its establishments, and, within 120 days from the effectiveness of is contract or purchase order, shall maintain a copy of separate programs for each establishment, including evaluations of utilization of minority roup personnel and the job classification tables, at each local office responsible for the personnel matters of such establishment.

D. Employer Information Report (41 CFR 60-1.7). (Applicable only if (a) the Operator has 50 or more employees, (b) the Operator is not exempt (pursuant to section 60-1.5 of Title 41 of the Code of Federal Regulations) from the requirement for filing Employer Information Report EEO-1, and (c) the contract or purchase order is for $50,000 or more.)

The Operator agrees to file with the appropriate Federal agency annually, on or before the 31st day of March, complete and accurate reports on tandard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and lans for Progress or such form as may hereafter be promulgated in its place.

E. Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (41 CFR 60-250). (Applicable only to contracts or purchase orders for $10,000 or more.)

The affirmative action clause prescribed in section 60-250.4 of Title 41 of the Code of Federal Regulations is incorporated herein by reference (as ermitted by section 60-250.22 of said Regulations) as if set out in full at this point. If the Operator (a) has 50 or more employees and (b) this contract purchase order is for $50,000 or more, then within 120 days from the effectiveness of this contract or purchase order, the Operator shall prepare d maintain an affirmative action program at each establishment which shall set forth the Operator's policies, practices and procedures in accordance ith section 60-250.6 of said Regulations.

F. Affirmative Action for Handicapped Workers (41 CFR 60-741.4). (Applicable only to contracts or purchase orders for $2,500 or more.)

The affirmative action clause prescribed in section 60-741.4 of Title 41 of the Code of Federal Regulations is incorporated herein by reference (as ermitted by section 60-741.22 of said Regulations) as if set out in full at this point. If the Operator (a) has 50 or more employees and (b) this contract purchase order is for $50,000 or more, then, within 120 days of the effectiveness of this contract or purchase order, the Operator shall prepare and aintain an affirmative action program at each establishment, which program shall set forth the Operator's policies, practices and procedures in ccordance with section 60-741.6 of said Regulations.

G. Utilization of Minority Business Enterprises (Federal Procurement Regulations 1-1.13). (Applicable only to contracts or purchase orders which may exceed $10,000.)

(1) It is the policy of the Government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of Government contracts.

(2) The Operator agrees to use his best efforts to carry out this policy in the award of his subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are: Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American Aleuts. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.