



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 26, 1985

Mr. Ernest L. Padilla
Attorney at Law
P. O. Box 2523
Santa Fe, New Mexico

Re: CASE NO. 8535
ORDER NO. R-7899

Applicant:

Slayton Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS
Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

Suite 212
200 W. Marcy
~~First Northern Plaza~~
P.O. Box 2523
Santa Fe, New Mexico 87501
(505) 988-7577

March 29, 1985

HAND DELIVERED

Mr. Michael Stogner
Hearing Examiner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 8535

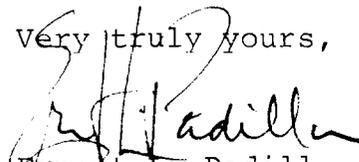
Dear Mr. Stogner:

Enclosed are copies of the leases which you requested following our meeting on Wednesday afternoon.

These leases should supplement all the requirements that you requested during Wednesday morning's hearing.

Please notice that Lease No. 14-20-603-2200 contains Slayton Oil Corporation's lease description for Section 18. That is, Slayton's lease contains all lands South of the Mid Channel of the San Juan River.

Very truly yours,


Ernest L. Padilla

ELP/dd
Encl.
CC: Slayton Oil Corporation

I hereby certify this instrument was filed for record on Mar. 4, 1957 at 8:25 o'clock A. M., and duly recorded in book 3274 page 34 of the Revised 1947 November 1947

34

UNITED STATES

14-20-603-2200

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

L. L. Lane
Probate Clerk and ex-officio Register

OIL AND GAS MINING LEASE—TRIBAL INDIAN LANDS

NAVAJO TRIBE, STATE OF New Mexico

THIS INSTRUMENT OF LEASE, made and entered into in quintuplicate this 20th day of

SEPTEMBER

1956

by and between

ACTING CHAIRMAN
NAVAJO TRIBAL COUNCIL

WINDOW ROCK, ARIZONA



of _____, State of _____, for and

on behalf of the Navajo Tribe of Indians, designated herein as

lessor, and Stanolind Oil and Gas Company

P. O. Box 1714

of Albuquerque, State of New Mexico, herein designated as

lessee:

WITNESSETH



1. Lessor, in consideration of a cash bonus of \$19,400.74, paid to the Treasurer of said Tribe where the tribe is organized under the act of June 18, 1934 (48 Stat. 984), or to the Superintendent of the Indian Agency having jurisdiction, hereinafter called the superintendent, where the tribe is not organized under said act of June 18, 1934, receipt of which is hereby acknowledged and in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and natural gas deposits in or under the following-described tracts of land situated in the county of

San Juan, State of New Mexico, and more particularly described as follows:

Tract No. 72-A, T. 27 N., E. 14 W., R6E (Surveyed)

- Section 17: All south of mid-channel of the San Juan River - 96 ac.
- Section 18: All south of mid-channel of the San Juan River - 360 ac.
- Section 19: All - 637.60 ac.
- Section 20: All - 640 ac.

containing 1711.50 acres more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph and telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment hereof for the term of 10 years from and after the approval hereof by the Secretary of the Interior and as much longer thereafter as oil and/or gas is produced in paying quantities from said land.

2. The term "oil and gas supervisor" as employed herein shall refer to such officer or officers as the Secretary of the Interior may designate to supervise oil and gas operations on Indian lands. The term "superintendent" as used herein shall refer to the superintendent or other official in charge of the Indian Agency having jurisdiction over the lands leased.

3. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond.—To furnish such bond as may be required by the regulations of the Secretary of the Interior, with satisfactory surety, or United States bonds as surety therefor, conditioned upon compliance with the terms of this lease.

Tribal Land Oil and Gas Lease Contract No. 14-20-603-2206

1. The acreage herein stated is for the sole purpose of computing the annual rental. If a survey of the land is made acceptable to the Commissioner of Indian Affairs or his authorized representative, thereafter, the rental shall be computed on the acreage as shown by the survey. No refund or additional payment of past rental shall be required to be made because of the difference in the acreage stated and that shown by the survey. Neither shall such a difference in acreage be grounds for any adjustment of the bonus. Prior to the commencement of the drilling of a well, the lessee shall have the leased premises surveyed by a registered land surveyor, boundaries posted with substantial monuments, and a tie established with the nearest United States Public Land Survey, Certified copies of the survey plats must be filed in duplicate with the General Superintendent, and in duplicate with the Supervisor, U. S. Geological Survey. Failure to comply with this provision will render the lease subject to cancellation in the discretion of the Commissioner of Indian Affairs. Permission to drill will not be granted by Supervisor prior to receipt of certified copy of survey plat. (If lands are already surveyed the foregoing requirement does not apply.)

2. If so required by the Commissioner or his authorized representative, the lessee shall condition under the direction of the Supervisor of the U.S. Geological Survey, any wells drilled, which do not produce oil or gas in paying quantities as determined by said Supervisor, but which are capable of producing water satisfactorily for domestic agriculture or livestock use by the lessor. Adjustment of costs for conditioning of the well and for value of casing and equipment left in or on the well will be made in said cases where it is determined that the well will produce water satisfactorily as aforesaid.

3. Lessees shall employ Navajo labor in all positions for which they are qualified, including truck drivers, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands.

JRE



IN WITNESS WHEREOF, the said parties have hereunto subscribed their names and affixed their seals on the day and year first above mentioned:

Two witnesses to execution by lessor:

R. Clark
NAVAJO AGENCY
P. O. WINDOW ROCK, ARIZONA

M. G. ...
NAVAJO AGENCY
P. O. WINDOW ROCK, ARIZONA

Two witnesses to execution by lessee:

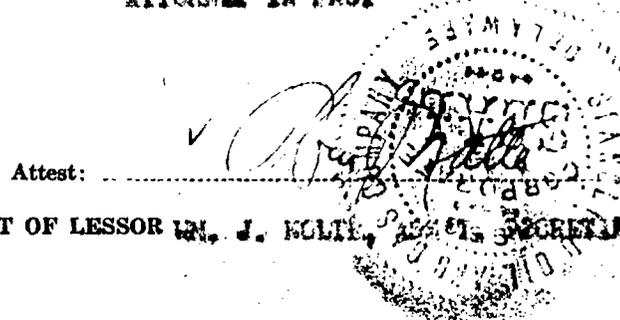
Ra. Cook
P. O. Ft. Wagon, Ariz.

J. C. ...
P. O. Ft. Wagon, Ariz.

Scott Preston [SEAL]
ACTING CHAIRMAN
NAVAJO TRIBAL COUNCIL

[SEAL]

STANOLIND OIL AND GAS COMPANY
John R. ... [SEAL]
ATTORNEY IN FACT



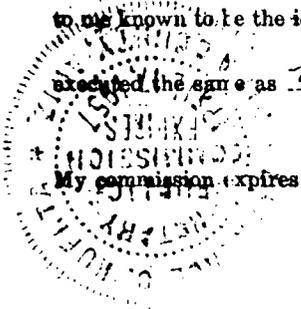
Attest:

ACKNOWLEDGMENT OF LESSOR *J. J. McMillan*, SECRETARY

STATE OF *Arizona*
COUNTY OF *Apache* ss:

Before me, a notary public, on this *17* day of *January*, 19*57*, personally appeared *Scott Preston*

to me known to be the identical person who executed the within and foregoing lease, and acknowledged to me that *he* executed the same as *his* free and voluntary act and deed for the uses and purposes therein set forth.



Lawrence L. ...

UNITED STATES
DEPARTMENT OF THE INTERIOR
Gallup, N.M. JAN 25 1957
Washington, D. C., 19...

The within case is hereby approved.

Sgd. W. Wade Head

AREA DIRECTOR
PER 21FR1908
Commissioner of Indian Affairs.

Filed for record this _____ day of _____, 19____, at _____ o'clock _____ m.

Rental received \$ *2176.25*

By _____

(h) Assignment of lease.—Not to assign this lease or any interest therein by an operating agreement or otherwise nor to subject any portion of the leased premises before restrictions are removed, except with the approval of the Secretary of the Interior. If this lease is divided by the assignment of an entire interest in any part of it, each part shall be considered a separate lease under all the terms and conditions of the original lease.

4. The lessor expressly reserves:

(a) Disposition of surface.—The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, such disposition to be subject at all times to the right of the lessee herein to the use of so much of said surface as is necessary in the extraction and removal of the oil and gas from the land herein described.

(b) Use of gas.—The right to use sufficient gas free of charge for any school or other buildings belonging to the tribe on said lands by making connection at its own expense with the well or wells thereon, the use of such gas to be at the lessor's risk at all times.

(c) Royalty in kind.—The right to elect on 30 days' written notice to take lessor's royalty in kind.

5. Surrender and termination.—The lessee shall have the right at any time during the term hereof to surrender and terminate this lease or any part thereof upon the payment of the sum of one dollar and all rentals, royalties, and other obligations due and payable to the lessor; and in the event restrictions have not been removed, upon a showing satisfactory to the Secretary of the Interior that full provision has been made for conservation and protection of the property and the proper abandonment of all wells drilled on the portion of the lease surrendered, the lease to continue in full force and effect as to the lands not so surrendered. If this lease has been recorded, lessee shall file a recorded release with his application to the superintendent for termination of this lease.

6. Cancellation and forfeiture.—When, in the opinion of the Secretary of the Interior and the Tribal Council, there has been a violation of any of the terms and conditions of this lease, the Secretary of the Interior shall have the right at any time after 30 days notice to the lessee, specifying the terms and conditions violated, and after a hearing, if the lessee shall so request within 30 days of receipt of notice, to declare this lease null and void, and the lessor shall then be entitled and authorized to take immediate possession of the land; *Provided*, That after restrictions are removed the lessor shall have and be entitled to any available remedy in law or equity for breach of this contract by the lessee.

7. Removal of buildings, improvements, and equipment.—Lessee shall be the owner of and shall have the right to remove from the leased premises, within 90 days after termination of this lease, any and all buildings, structures, casing, material, and/or equipment placed thereon for the purpose of development and operation hereunder, save and except casing, in wells and other material, equipment, and structures necessary for the continued operation of wells producing or capable of being produced in paying quantities as determined by the Secretary of the Interior, on said leased land at the time of surrender of this lease or termination thereof; and except as otherwise provided herein, all casing in wells, material, structures, and equipment shall be and become the property of the lessor.

8. Drilling and producing restrictions.—It is covenanted and agreed that the Secretary of the Interior may impose restrictions as to time or times for the drilling of wells and as to the production from any well or wells drilled when in his judgment such action may be necessary or proper for the protection of the natural resources of the leased land and the interests of the Indian lessor, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, or regulations by competent Federal or State authorities or lawful agreements among operators regulating either drilling or production, or both.

9. Unit operation.—The parties hereto agree to subscribe to and abide by any agreement for the cooperative or unit development of the field or area, affecting the leased lands, or any pool thereof, if and when collectively adopted by a majority operating interest therein and approved by the Secretary of the Interior, during the period of supervision.

10. Helium—public emergency.—It is covenanted and agreed that helium gas, carbon dioxide gas, and all other natural gases are included under the term "gas" as used in this lease, and in the event gas is discovered containing helium the United States Government shall have the right to purchase, at reasonable prices, all or any part of the production and to regulate the amount and manner of production; and in time of war or other public emergency, the United States Government shall have the option to purchase all or any part of the products produced under this lease.

11. Conservation.—The lessee in consideration of the rights herein granted agrees to abide by the provisions of any act of Congress, or any order or regulation prescribed pursuant thereto, relating to the conservation, production, or marketing of oil, gas, or other hydrocarbon substances.

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

13. No lease, assignment thereof, or interest therein, will be approved to any employee or employees of the United States Government whether connected with the Indian Service or otherwise and no employee of the Interior Department shall be permitted to acquire any interest in any mineral lease covering restricted Indian lands by ownership of stock in corporations having such leases or in any other manner.

33

STATE OF NEW MEXICO, County of San Juan SS.

I hereby certify this instrument was filed on March 4, 1957 at 8:24 o'clock P.M. and duly recorded in book 524 page 33 of the

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF INDIAN AFFAIRS

14-20-603-2199

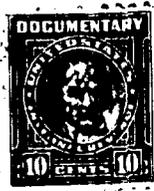


OIL AND GAS MINING LEASE—TRIBAL INDIAN LANDS

NAVAJO TRIBE, STATE OF New Mexico

THIS INDENTURE OF LEASE, made and entered into in quintuplicate this 27th day of

March, 1956, by and between ACTING CHAIRMAN NAVAJO TRIBAL COUNCIL WINDOW ROCK, ARIZONA



of Navajo State of Navajo, for and on behalf of the Navajo Tribe of Indians, designated herein as

lessor, and Standard Oil and Gas Company of Albuquerque, State of New Mexico, herein designated as lessee:



WITNESSETH

1. Lessor, in consideration of a cash bonus of \$ 13,251.04, paid to the Treasurer of said Tribe where the tribe is organized under the act of June 18, 1934 (48 Stat. 984), or to the Superintendent of the Indian Agency having jurisdiction, hereinafter called the superintendent, where the tribe is not organized under said act of June 18, 1934, receipt of which is hereby acknowledged and in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and natural gas deposits in or under the following-described tracts of land situated in the county of

San Juan, State of New Mexico, and more particularly described as follows:

- Tract No. 71-A, T. 27 N., R. 14 W., 10 P. (Surveyed)
- Section 15: All south of mid-channel of the San Juan River - 224 acres
- Section 16: All south of mid-channel of the San Juan River - 128 acres
- Section 21: All - 640 acres
- Section 22: All - 640 acres

Handwritten initials 'PCC'

containing 1632 acres more or less, together with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph and telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment hereof for the term of 10 years from and after the approval hereof by the Secretary of the Interior and as much longer thereafter as oil and/or gas is produced in paying quantities from said land.

2. The term "oil and gas supervisor" as employed herein shall refer to such officer or officers as the Secretary of the Interior may designate to supervise oil and gas operations on Indian lands. The term "superintendent" as used herein shall refer to the superintendent or other official in charge of the Indian Agency having jurisdiction over the lands leased.

3. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond.—To furnish such bond as may be required by the regulations of the Secretary of the Interior, with satisfactory surety, or United States bonds as surety therefor, conditioned upon compliance with the terms of this lease.

140051

(b) Wells.—(1) To drill and produce all wells necessary to offset or protect the leased land from drainage by wells on adjoining lands not the property of the lessor, or in lieu thereof, to compensate the lessor in full each month for the estimated loss of royalty through drainage: *Provided*, That during the period of supervision by the Secretary of the Interior, the necessity for offset wells shall be determined by the oil and gas supervisor and payment in lieu of drilling and production shall be with the consent of, and in an amount determined by the Secretary of the Interior; (2) at the election of the lessee to drill and produce other wells: *Provided*, That the right to drill and produce such other wells shall be subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations, approved by the Secretary of the Interior and affecting the field or area in which the leased lands are situated; and (3) if the lessee elects not to drill and produce such other wells for any period the Secretary of the Interior may, within 10 days after due notice in writing, either require the drilling and production of such wells to the number necessary, in his opinion, to insure reasonable diligence in the development and operation of the property, or may in lieu of such additional diligent drilling and production require the payment on and after the first anniversary date of this lease of not to exceed \$1 per acre per annum, which sum shall be in addition to any rental or royalty hereinafter specified.

(c) Rental and royalty.—To pay, beginning with the date of approval of the lease by the Secretary of the Interior or his duly authorized representative, a rental of \$1.25 per acre per annum in advance during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty of 12 1/2 percent of the value or amount of all oil, gas, and/or natural gasoline, and/or all other hydrocarbon substances produced and saved from the land leased herein, save and except oil, and/or gas used by the lessee for development and operation purposes, on said lease, which oil or gas shall be royalty free. During the period of supervision, "value" for the purposes hereof may, in the discretion of the Secretary, be calculated on the basis of the highest price paid or offered (whether calculated on the basis of short or actual volume) at the time of production for the major portion of the oil of the same gravity, and gas, and/or natural gasoline, and/or all other hydrocarbon substances produced and sold from the field where the leased lands are situated, and the actual volume of the marketable product less the content of foreign substances as determined by the oil and gas supervisor. The actual amount realized by the lessee from the sale of said products may, in the discretion of the Secretary, be deemed more evidence of or conclusive evidence of such value. When paid in value, such royalties shall be due and payable monthly on the last day of the calendar month following the calendar month in which produced; when royalty on oil produced is paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced without cost to the lessor unless otherwise agreed to by the parties hereto, at such time as may be required by the lessor: *Provided*, That the lessee shall not be required to hold such royalty oil in storage longer than 30 days after the end of the calendar month in which said oil is produced: *And provided further*, That the lessee shall be in no manner responsible or held liable for loss or destruction of such oil in storage caused by acts of God. All rental and royalty payments, except as provided in section 4 (c) shall be made by check or draft drawn on a solvent bank, open for the transaction of business on the day the check or draft is issued, to the order of the treasurer of said tribe* or the superintendent. All such rental and royalty payments shall be mailed to the oil and gas supervisor for transmittal to the treasurer of said tribe or to the superintendent. It is understood that in determining the value for royalty purposes of products, such as natural gasoline, that are derived from treatment of gas, a reasonable allowance for the cost of manufacture shall be made, such allowance to be two-thirds of the value of the marketable product unless otherwise determined by the Secretary of the Interior on application of the lessee or on his own initiative, and that royalty will be computed on the value of gas or casinghead gas, or on the products thereof (such as residue gas, natural gasoline, propane, butane, etc.), whichever is the greater.

(d) Monthly statements.—To furnish to the oil and gas supervisor monthly statements in detail in such form as may be prescribed by the Secretary of the Interior, showing the amount, quality, and value of all oil, gas, natural gasoline, or other hydrocarbon substances produced and saved during the preceding calendar month as a basis upon which to compute, for the treasurer of said tribe or the superintendent, the royalty due the lessor. The leased premises and all wells, producing operations, improvements, machinery, and fixtures thereon and connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized representative of the Secretary of the Interior.

(e) Log of well.—To keep a log in the form prescribed by the Secretary of the Interior of all the wells drilled by the lessee showing the strata and character of the formations passed through by the drill, which log or a copy thereof shall be furnished to the oil and gas supervisor.

(f) Diligence, prevention of waste.—To exercise reasonable diligence in drilling and operating wells for oil and gas on the lands covered hereby, while such products can be secured in paying quantities; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the productive sands or oil or gas-bearing strata to the destruction or injury of the oil or gas deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely all wells before abandoning the same and to effectually shut off all water from the oil or gas-bearing strata; not to drill any well within 200 feet of any house or barn now on the premises without the lessor's written consent; to carry out at the expense of the lessee all reasonable orders and requirements of the oil and gas supervisor relative to prevention of waste, and preservation of the property and the health and safety of workmen; to bury all pipe lines crossing tillable lands below plow depth unless other arrangements therefor are made with the superintendent; to pay the lessor all damages to crops, buildings, and other improvements of the lessor occasioned by the lessee's operations: *Provided*, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond the lessee's control.

(g) Regulations.—To abide by and conform to any and all regulations of the Secretary of the Interior now or hereafter in force relative to such leases: *Provided*, That no regulation hereafter approved shall effect a change in rate of royalty or annual rental herein specified without the written consent of the parties to this lease.

(h) Regulations.—To abide by and conform to any and all regulations of the Secretary of the Interior now or hereafter in force relative to such leases: *Provided*, That no regulation hereafter approved shall effect a change in rate of royalty or annual rental herein specified without the written consent of the parties to this lease.

33.7

33.B

Tribal Land Oil and Gas Lease Contract No. 14-20-603-2199

1. The acreage herein stated is for the sole purpose of computing the annual rental. If a survey of the land is made acceptable to the Commissioner of Indian Affairs or his authorized representative, thereafter, the rental shall be computed on the acreage as shown by the survey. No refund or additional payment of past rental shall be required to be made because of the difference in the acreage stated and that shown by the survey. Neither shall such a difference in acreage be grounds for any adjustment of the bonus. Prior to the commencement of the drilling of a well, the lessee shall have the leased premises surveyed by a registered land surveyor, boundaries posted with substantial monuments, and a tie established with the nearest United States Public Land Survey, Certified copies of the survey plats must be filed in duplicate with the General Superintendent, and in duplicate with the Supervisor, U. S. Geological Survey. Failure to comply with this provision will render the lease subject to cancellation in the discretion of the Commissioner of Indian Affairs. Permission to drill will not be granted by Supervisor prior to receipt of certified copy of survey plat. (If lands are already surveyed the foregoing requirement does not apply.)

2. If so required by the Commissioner or his authorized representative, the lessee shall condition under the direction of the Supervisor of the U.S. Geological Survey, any wells drilled, which do not produce oil or gas in paying quantities as determined by said Supervisor, but which are capable of producing water satisfactorily for domestic agriculture or livestock use by the lessor. Adjustment of costs for conditioning of the well and for value of casing and equipment left in or on the well will be made in said cases where it is determined that the well will produce water satisfactorily as aforesaid.

3. Lessees shall employ Navajo labor in all positions for which they are qualified, including truck drivers, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands.

✓ JRE



(h) **Assignment of lease.**—Not to assign this lease or any interest therein by an operating agreement or otherwise nor to sublet any portion of the leased premises before restrictions are removed, except with the approval of the Secretary of the Interior. If this lease is divided by the assignment of an entire interest in any part of it, each part shall be considered a separate lease under all the terms and conditions of the original lease.

4. The lessor expressly reserves:

(a) **Disposition of surface.**—The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, such disposition to be subject at all times to the right of the lessee herein to the use of so much of said surface as is necessary in the extraction and removal of the oil and gas from the land herein described.

(b) **Use of gas.**—The right to use sufficient gas free of charge for any school or other buildings belonging to the tribe on said lands by making connection at its own expense with the well or wells thereon, the use of such gas to be at the lessor's risk at all times

(c) **Royalty in kind.**—The right to elect on 30 days' written notice to take lessor's royalty in kind.

5. **Surrender and termination.**—The lessee shall have the right at any time during the term hereof to surrender and terminate this lease or any part thereof upon the payment of the sum of one dollar and all rentals, royalties, and other obligations due and payable to the lessor; and in the event restrictions have not been removed, upon a showing satisfactory to the Secretary of the Interior that full provision has been made for conservation and protection of the property and the proper abandonment of all wells drilled on the portion of the lease surrendered, the lease to continue in full force and effect as to the lands not so surrendered. If this lease has been recorded lessee shall file a recorded release with his application to the superintendent for termination of the lease.

6. **Cancellation and forfeiture.**—When, in the opinion of the Secretary of the Interior and the Tribal Council, there has been a violation of any of the terms and conditions of this lease, the Secretary of the Interior shall have the right at any time after 30 days notice to the lessee, specifying the terms and conditions violated, and after a hearing, if the lessee shall so request within 30 days of receipt of notice, to declare this lease null and void, and the lessor shall then be entitled and authorized to take immediate possession of the land: *Provided*, That after restrictions are removed the lessor shall have and be entitled to any available remedy in law or equity for breach of this contract by the lessee.

7. **Removal of buildings, improvements, and equipment.**—Lessee shall be the owner of and shall have the right to remove from the leased premises, within 90 days after termination of this lease, any and all buildings, structures, casing, material, and/or equipment placed thereon for the purpose of development and operation hereunder, save and except casing in wells and other material, equipment, and structures necessary for the continued operation of wells producing or capable of being produced in paying quantities as determined by the Secretary of the Interior, on said leased land at the time of surrender of this lease or termination thereof; and except as otherwise provided herein, all casing in wells, material, structures, and equipment shall be and become the property of the lessor.

8. **Drilling and producing restrictions.**—It is covenanted and agreed that the Secretary of the Interior may impose restrictions as to time or times for the drilling of wells and as to the production from any well or wells drilled when in his judgment such action may be necessary or proper for the protection of the natural resources of the leased land and the interests of the Indian lessor, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, or regulations by competent Federal or State authorities or lawful agreements among operators regulating either drilling or production, or both.

9. **Unit operation.**—The parties hereto agree to subscribe to and abide by any agreement for the cooperative or unit development of the field or area, affecting the leased lands, or any pool thereof, if and when collectively adopted by a majority operating interest therein and approved by the Secretary of the Interior, during the period of supervision.

10. **Helium—public emergency.**—It is covenanted and agreed that helium gas, carbon dioxide gas, and all other natural gases are included under the term "gas" as used in this lease, and in the event gas is discovered containing helium the United States Government shall have the right to purchase, at reasonable prices, all or any part of the production and to regulate the amount and manner of production; and in time of war or other public emergency, the United States Government shall have the option to purchase all or any part of the products produced under this lease.

11. **Conservation.**—The lessee in consideration of the rights herein granted agrees to abide by the provisions of any act of Congress, or any order or regulation prescribed pursuant thereto, relating to the conservation, production, or marketing of oil, gas, or other hydrocarbon substances.

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

13. **No lease, assignment thereof, or interest therein, will be approved to any employee or employees of the United States Government whether connected with the Indian Service or otherwise and no employee of the Interior Department shall be permitted to acquire any interest in any mineral lease covering restricted Indian lands by ownership of stock in corporations having such leases or in any other manner.**

11

Rental received, \$ 2040.00

By _____

Filed for record this _____ day of _____, 19____ at _____ o'clock _____ m.

AREA DIRECTOR
PER 2181905
Commissioner of Indian Affairs

The within lease is hereby approved.

Sgt. W. W. Head

19____

JAN 28 1957

UNITED STATES
DEPARTMENT OF THE INTERIOR
Washington, D. C.



Lawrence B. Smith

executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

to me known to be the identical person who executed the within and foregoing lease, and acknowledged to me that _____

Before me, a notary public, on this _____ day of _____, 19____, personally appeared _____

Scott R. Porter

STATE OF _____
COUNTY OF _____



ACKNOWLEDGMENT OF LESSOR

Attest: _____

Wm. J. Hall, Esq.

P. O. _____
P. O. _____

Two witnesses to execution by lessee:

P. O. _____

P. O. _____

P. O. _____

Two witnesses to execution by lessor:

Scott R. Porter

By: _____
ATTORNEY IN FACT



STANDARD OIL AND GAS COMPANY

[SEAL]

ACTING CHAIRMAN
NAVAJO TRIBAL COUNCIL

[SEAL]

IN WITNESS WHEREOF, the said parties have hereunto subscribed their names and affixed their seals on the day and year first above mentioned:

(5)

33-10

32

STATE OF NEW MEXICO, County of San Juan SS.
I hereby certify this instrument was recorded
Mar 4, 1957 8:33 A.M.
and duly recorded in book 24 page 32 of the
Public Records of said county
New Mexico

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

14-20-603-2198

Bonnie Lana
Probate Clerk and ex-officio Recorder

OIL AND GAS MINING LEASE—TRIBAL INDIAN LANDS

NAVAJO TRIBE, STATE OF New Mexico

THIS INDENTURE OF LEASE, made and entered into in quintuplicate this 21 day of
March, 1957, by and between ACTING CHAIRMAN
NAVAJO TRIBAL COUNCIL

WINDOW ROCK, ARIZONA



of _____, State of _____, for and
on behalf of the Navajo Tribe of Indians, designated herein as

lessor, and Stanolind Oil and Gas Company

P. O. Box 1714

of Albuquerque, State of New Mexico



lessee: _____, herein designated as

WITNESSETH

1. Lessor, in consideration of a cash bonus of \$ 19,350.00 paid to the Treasurer of said Tribe where the tribe is organized under the act of June 18, 1934 (48 Stat. 984), or to the Superintendent of the Indian Agency having jurisdiction, hereinafter called the superintendent, where the tribe is not organized under said act of June 18, 1934, receipt of which is hereby acknowledged and in consideration of rents and royalties to be paid, and the covenants to be observed as herein set forth, does hereby grant and lease to the lessee the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and natural gas deposits in or under the following-described tracts of land situated in the county of

San Juan, State of New Mexico, and more particularly described as follows:

Tract No. 70-A - T. 29 N., R. 14 W., NMPH (Surveyed)

- Section 12—All south of mid-Channel of the San Juan River - 48 ac.
- Section 13—All south of mid-Channel of the San Juan River - 560 ac.
- Section 14—All south of mid-Channel of the San Juan River - 496 ac.
- Section 23—All - 640 ac.

containing 2284 acres Section 24 with the right to construct and maintain thereupon all works, buildings, plants, waterways, roads, telegraph and telephone lines, pipe lines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment hereof for the term of 10 years from and after the approval hereof by the Secretary of the Interior and as much longer thereafter as oil and/or gas is produced in paying quantities from said land.

2. The term "oil and gas supervisor" as employed herein shall refer to such officer or officers as the Secretary of the Interior may designate to supervise oil and gas operations on Indian lands. The term "superintendent" as used herein shall refer to the superintendent or other official in charge of the Indian Agency having jurisdiction over the lands leased.

3. In consideration of the foregoing, the lessee hereby agrees:

(a) Bond.—To furnish such bond as may be required by the regulations of the Secretary of the Interior, with satisfactory surety, or United States bonds as surety therefor, conditioned upon compliance with the terms of this lease.

14005000

(b) Wells.—(1) To drill and produce all wells necessary to offset or protect the leased land from drainage by wells on adjoining lands not the property of the lessor, or in lieu thereof, to compensate the lessor in full each month for the estimated loss of royalty through drainage: *Provided*, That during the period of supervision by the Secretary of the Interior, the necessity for offset wells shall be determined by the oil and gas supervisor and payment in lieu of drilling and production shall be with the consent of, and in an amount determined by the Secretary of the Interior; (2) at the election of the lessee to drill and produce other wells: *Provided*, That the right to drill and produce such other wells shall be subject to any system of well spacing or production allotments authorized and approved under applicable law or regulations, approved by the Secretary of the Interior and affecting the field or area in which the leased lands are situated; and (3) if the lessee elects not to drill and produce such other wells for any period the Secretary of the Interior may, within 10 days after due notice in writing, either require the drilling and production of such wells to the number necessary, in his opinion, to insure reasonable diligence in the development and operation of the property, or may in lieu of such additional diligent drilling and production require the payment on and after the first anniversary date of this lease of not to exceed \$1 per acre per annum, which sum shall be in addition to any rental or royalty hereinafter specified.

(c) Rental and royalty.—To pay, beginning with the date of approval of the lease by the Secretary of the Interior or his duly authorized representative, a rental of \$1.25 per acre per annum in advance during the continuance hereof, the rental so paid for any one year to be credited on the royalty for that year, together with a royalty of 12½ percent of the value or amount of all oil, gas, and/or natural gasoline, and/or all other hydrocarbon substances produced and saved from the land leased herein, save and except oil, and/or gas used by the lessee for development and operation purposes on said lease, which oil or gas shall be royalty free. During the period of supervision, "value" for the purposes hereof may, in the discretion of the Secretary, be calculated on the basis of the highest price paid or offered (whether calculated on the basis of short or actual volume) at the time of production for the major portion of the oil of the same gravity, and gas, and/or natural gasoline, and/or all other hydrocarbon substances produced and sold from the field where the leased lands are situated, and the actual volume of the marketable product less the content of foreign substances as determined by the oil and gas supervisor. The actual amount realized by the lessee from the sale of said products may, in the discretion of the Secretary, be deemed mere evidence of or conclusive evidence of such value. When paid in value, such royalties shall be due and payable monthly on the last day of the calendar month following the calendar month in which produced; when royalty on oil produced is paid in kind, such royalty oil shall be delivered in tanks provided by the lessee on the premises where produced without cost to the lessor unless otherwise agreed to by the parties thereto, at such time as may be required by the lessor: *Provided*, That the lessee shall not be required to hold such royalty oil in storage longer than 30 days after the end of the calendar month in which said oil is produced: *And provided further*, That the lessee shall be in no manner responsible or held liable for loss or destruction of such oil in storage caused by acts of God. All rental and royalty payments, except as provided in section 4 (c) shall be made by check or draft drawn on a solvent bank, open for the transaction of business on the day the check or draft is issued, to the order of the treasurer of said tribe* or the superintendent. All such rental and royalty payments shall be mailed to the oil and gas supervisor for transmittal to the treasurer of said tribe or to the superintendent. It is understood that in determining the value for royalty purposes of products, such as natural gasoline, that are derived from treatment of gas, a reasonable allowance for the cost of manufacture shall be made, such allowance to be two-thirds of the value of the marketable product unless otherwise determined by the Secretary of the Interior on application of the lessee or on his own initiative, and that royalty will be computed on the value of gas or casinghead gas, or on the products thereof (such as residue gas, natural gasoline, propane, butane, etc.), whichever is the greater.

(d) Monthly statements.—To furnish to the oil and gas supervisor monthly statements in detail in such form as may be prescribed by the Secretary of the Interior, showing the amount, quality, and value of all oil, gas, natural gasoline, or other hydrocarbon substances produced and saved during the preceding calendar month as a basis upon which to compute, for the treasurer of said tribe or the superintendent, the royalty due the lessor. The leased premises and all wells, producing operations, improvements, machinery, and fixtures thereon and connected therewith and all books and accounts of the lessee shall be open at all times for the inspection of any duly authorized representative of the Secretary of the Interior. (e) Log of well.—To keep a log in the form prescribed by the Secretary of the Interior of all the wells drilled by the lessee showing the strata and character of the formations passed through by the drill, which log or a copy thereof shall be furnished to the oil and gas supervisor.

(f) Diligence, prevention of waste.—To exercise reasonable diligence in drilling and operating wells for oil and gas on the lands covered hereby, while such products can be secured in paying quantities; to carry on all operations hereunder in a good and workmanlike manner in accordance with approved methods and practice, having due regard for the prevention of waste of oil or gas developed on the land, or the entrance of water through wells drilled by the lessee to the productive sands or oil or gas-bearing strata to the destruction or injury of the oil or gas deposits, the preservation and conservation of the property for future productive operations, and to the health and safety of workmen and employees; to plug securely all wells before abandoning the same and to effectually shut off all water from the oil or gas-bearing strata; not to drill any well within 200 feet of any house or barn now on the premises without the lessor's written consent; to carry out at the expense of the lessee all reasonable orders and requirements of the oil and gas supervisor relative to prevention of waste, and preservation of the property and the health and safety of workmen; to bury all pipe lines crossing tillable lands below plow depth unless other arrangements therefor are made with the superintendent; to pay the lessor all damages to crops, buildings, and other improvements of the lessor occasioned by causes beyond the lessee's control. That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond the lessee's control. (g) Regulations.—To abide by and conform to any and all regulations of the Secretary of the Interior now or hereafter in force relative to such leases: *Provided*, That no regulation hereafter approved shall effect a change in rate of royalty or annual rental herein specified without the written consent of the parties to this lease.

*All payments under this lease shall be made to the superintendent where the tribe affected is organized under the act of June 18, 1934 (48 Stat. 887).

1-32-H

Rental received \$280.00

By _____ day of _____ 19____ at _____ o'clock _____ m.

AREA DIRECTOR PER 21FR1905 Commissioner of Indian Affairs

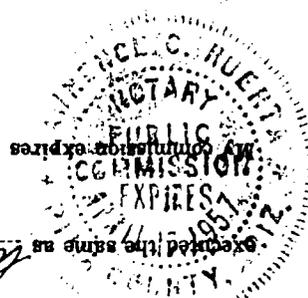
Sgd. W. Wade Head

The within lease is hereby approved.

19____

Washington, D.C. JAN 25 1957

DEPARTMENT OF THE INTERIOR UNITED STATES



Lawrence G. ...

free and voluntary act and deed for the uses and purposes therein set forth.

to me known to be the identical person who executed the within and foregoing lease, and acknowledged to me that

Before me, a notary public, on this 17 day of January 1957, personally appeared

Scott ...

STATE OF _____ COUNTY OF _____



ACKNOWLEDGMENT OF LESSOR

Attest:

P.O. ...

Two witnesses to execution by lessee:

P.O. ...

P.O. ...

Two witnesses to execution by lessor:

IN WITNESS WHEREOF, the said parties have hereunto subscribed their names and affixed their seals on the day and year first above mentioned:



BY: John P. ...

STANLIND OIL AND GAS COMPANY

[seal]

ACTING CHAIRMAN NAVAJO TRIBAL COUNCIL

[seal]

(h) **Assignment of lease.**—Not to assign this lease or any interest therein by an operating agreement or otherwise nor to sublet any portion of the leased premises before restrictions are removed, except with the approval of the Secretary of the Interior. If this lease is divided by the assignment of an entire interest in any part of it, each part shall be considered a separate lease under all the terms and conditions of the original lease.

4. The lessor expressly reserves:

(a) **Disposition of surface.**—The right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease under existing law or laws hereafter enacted, such disposition to be subject at all times to the right of the lessee herein to the use of so much of said surface as is necessary in the extraction and removal of the oil and gas from the land herein described.

(b) **Use of gas.**—The right to use sufficient gas free of charge for any school or other buildings belonging to the tribe on said lands by making connection at its own expense with the well or wells thereon, the use of such gas to be at the lessor's risk at all times.

(c) **Royalty in kind.**—The right to elect on 30 days' written notice to take lessor's royalty in kind.

5. **Surrender and termination.**—The lessee shall have the right at any time during the term hereof to surrender and terminate this lease or any part thereof upon the payment of the sum of one dollar and all rentals, royalties, and other obligations due and payable to the lessor; and in the event restrictions have not been removed, upon a showing satisfactory to the Secretary of the Interior that full provision has been made for conservation and protection of the property and the proper abandonment of all wells drilled on the portion of the lease surrendered, the lease to continue in full force and effect as to the lands not so surrendered. If this lease has been recorded lessee shall file a recorded release with his application to the superintendent for termination of this lease.

6. **Cancelation and forfeiture.**—When, in the opinion of the Secretary of the Interior and the Tribal Council, there has been a violation of any of the terms and conditions of this lease, the Secretary of the Interior shall have the right at any time after 30 days notice to the lessee, specifying the terms and conditions violated, and after a hearing, if the lessee shall so request within 30 days of receipt of notice, to declare this lease null and void, and the lessor shall then be entitled and authorized to take immediate possession of the land: *Provided*, That after restrictions are removed the lessor shall have and be entitled to any available remedy in law or equity for breach of this contract by the lessee.

7. **Removal of buildings, improvements, and equipment.**—Lessee shall be the owner of and shall have the right to remove from the leased premises, within 90 days after termination of this lease, any and all buildings, structures, casing, material, and/or equipment placed thereon for the purpose of development and operation hereunder, save and except casing in wells and other material, equipment, and structures necessary for the continued operation of wells producing or capable of being produced in paying quantities as determined by the Secretary of the Interior, on said leased land at the time of surrender of this lease or termination thereof; and except as otherwise provided herein, all casing in wells, material, structures, and equipment shall be and become the property of the lessor.

8. **Drilling and producing restrictions.**—It is covenanted and agreed that the Secretary of the Interior may impose restrictions as to time or times for the drilling of wells and as to the production from any well or wells drilled when in his judgment such action may be necessary or proper for the protection of the natural resources of the leased land and the interests of the Indian lessor, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, or regulations by competent Federal or State authorities or lawful agreements among operators regulating either drilling or production, or both.

9. **Unit operation.**—The parties hereto agree to subscribe to and abide by any agreement for the cooperative or unit development of the field or area, affecting the leased lands, or any pool thereof, if and when collectively adopted by a majority operating interest therein and approved by the Secretary of the Interior, during the period of supervision.

10. **Helium—public emergency.**—It is covenanted and agreed that helium gas, carbon dioxide gas, and all other natural gases are included under the term "gas" as used in this lease, and in the event gas is discovered containing helium the United States Government shall have the right to purchase, at reasonable prices, all or any part of the production and to regulate the amount and manner of production; and in time of war or other public emergency, the United States Government shall have the option to purchase all or any part of the products produced under this lease.

11. **Conservation.**—The lessee in consideration of the rights herein granted agrees to abide by the provisions of any act of Congress, or any order or regulation prescribed pursuant thereto, relating to the conservation, production, or marketing of oil, gas, or other hydrocarbon substances.

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

13. **No lease, assignment thereof, or interest therein,** will be approved to any employee or employees of the United States Government whether connected with the Indian Service or otherwise and no employee of the Interior Department shall be permitted to acquire any interest in any mineral lease covering restricted Indian lands by ownership of stock in corporations having such leases or in any other manner.

CONTINUATION SHEET FOR OIL AND GAS LEASE CONTRACT #14-20-603 - 2198
(TRIBAL LANDS)

(1) The acreage herein stated is for the sole purpose of computing the annual rental. If a survey of the land is made acceptable to the Commissioner of Indian Affairs or his authorized representative, thereafter, the rental shall be computed on the acreage as shown by the survey. No refund or additional payment of past rental shall be required to be made because of the difference in the acreage stated and that shown by the survey. Neither shall such a difference in acreage be grounds for any adjustment of the bonus. Prior to the commencement of the drilling of a well the lessee shall have the leased premises surveyed by a registered land surveyor, boundaries posted with substantial monuments, and a tie established with the nearest United States Public Land Survey. Certified copies of the survey plats must be filed in duplicate with the General Superintendent, and in duplicate with the Supervisor, U.S. Geological Survey. Failure to comply with this provision will render the lease subject to cancellation in the discretion of the Commissioner of Indian Affairs. Permission to drill will not be granted by Supervisor prior to receipt of certified copy of survey plat. (If lands are already surveyed the foregoing requirement does not apply, except for survey for well location).

(2) If so required by the Commissioner or his authorized representative, the lessee shall condition under the direction of the Supervisor of the U.S. Geological Survey, any well drilled, which do not produce oil or gas in paying quantities as determined by said Supervisor, but which are capable of producing water satisfactorily for domestic, agricultural, or livestock use by the lessor. Adjustment of costs for conditioning of the well and for value of casing and equipment left in or on the well will be made in said cases where it is determined that the well will produce water satisfactorily as aforesaid.

(3) Lessees shall employ Navajo labor in all positions for which they are qualified, including truck drivers, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands.

✓ JRE

APPROVED
[Signature]

Suite 212
200 W. Marcy

~~First National Plaza~~

P.O. Box 2523

Santa Fe, New Mexico 87501
(505) 988-7577

ERNEST L. PADILLA
ATTORNEY AND COUNSELOR AT LAW

March 27, 1985

HAND DELIVERY

Mr. Michael Stogner
Hearing Examiner
New Mexico Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Case #8535

Dear Mr. Stogner:

In accordance with your request at the hearing on the above referenced case today, I enclose a copy of the Northwest Cha Cha Unit Area Unit Agreement. I direct your attention to Exhibit "B" which is part of the Unit Agreement and which describes the lands in Section 18, T-29N, R-14W. In particular, all of Section 18 within the Northwest Cha Cha Unit Area is described as "All South of Mid-Channel, San Juan River".

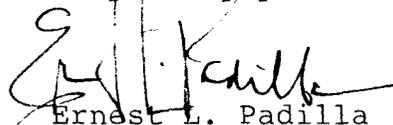
Also enclosed are copies of Assignments of Mining Lease which cover the lands and leases contained in the Northwest Cha Cha Unit Area. In particular, the Assignment containing Section 18 describes that portion of Section 18 as "All South of Mid-Channel of San Juan River".

You will also note that Section 17 is similarly described.

Should you need the copy of the base lease itself, I will be glad to obtain it for you. A review of Mr. Slayton's files here in Santa Fe revealed that he had the enclosed documents with him. In this regard, I believe that these documents answer the inquiries which you made at the hearing this morning.

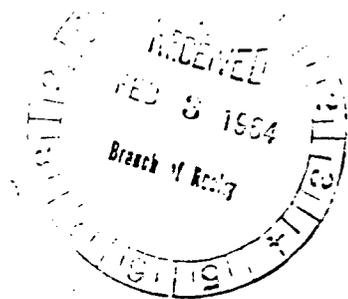
Should you need additional information, please let me know.

Very truly yours,


Ernest L. Padilla

ELP/dd

cc: Mr. Paul Slayton
Slayton Oil Corp.
P. O. Box 150
Farmington, New Mexico 87401



RECEIVED

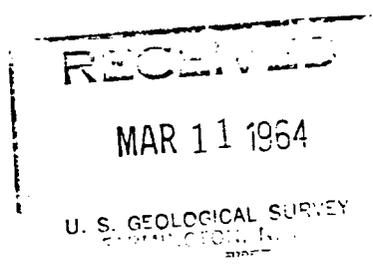
JAN 28 1964

UNIT AGREEMENT
NORTHWEST CHA CHA UNIT AREA
SAN JUAN COUNTY, NEW MEXICO

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST CHA CHA UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of December 1963 by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty and other oil and gas interests in the Unit Area subject to this agreement; and

WHEREAS, the rules and regulations governing the leasing of tribal Indian lands for oil and gas promulgated by the Secretary of the Interior (25 CFR Part 171) under and pursuant to the Tribal Land Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U.S.C. 396a et seq., and the oil and gas leases covering said tribal Indian lands provide for the commitment of such leases to a unit plan of development or operations; and

WHEREAS, the parties hereto hold sufficient interest in the Northwest Cha Cha Unit Area covering the lands hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to institute and consummate secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the Unitized Formations subject to this agreement, under the terms, conditions and limitations herein set forth,

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the Unit Area, defined below, insofar as such interests pertain to the development and production of Unitized Substances, defined below, from the Unitized Formation, defined below, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS

The Tribal Land Mineral Leasing Act, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter

issued thereunder are accepted and made a part of this agreement as to Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Indian lands, if any, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA

The area specified on the plat attached hereto and marked Exhibit A is hereby designated and recognized as constituting the Unit Area, containing approximately 7,626.80 acres, more or less.

Exhibit A attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party as to the ownership of any interest other than such interest or interests as are shown in said lease or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor of the Geological Survey, hereinafter referred to as "Supervisor", and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor. The Commissioner of Indian Affairs shall hereafter be referred to as the "Indian Commissioner". The Navajo Tribe of Indians shall hereafter be referred to as "the Indians".

The above described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) In event the expansion contains Federal land, Unit Operator, with concurrence of working interest owners having 80% of the voting interests based upon their participating percentages, on its own motion

or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", after preliminary concurrence by the Director, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice. In event the expansion contains no Federal land, the Area Director of the Indian Bureau, hereinafter referred to as "Area Director", shall serve in this paragraph instead of the Director.

(b) Said notice shall be delivered to the Supervisor and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion and with appropriate joinders.

(d) After the consideration of all pertinent information, the expansion shall, upon approval by the Director or the Area Director, become effective as of the date prescribed in the notice thereof.

3. UNITIZED LANDS AND UNITIZED SUBSTANCES

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas (including condensate, casinghead gas and any substances contained in the oil, gas condensate and casinghead gas) in the Gallup formation of the unitized land are unitized under the terms of this agreement and herein are called "Unitized Substances".

The Gallup formation is that continuous stratigraphic interval occurring between the top of the Gallup formation and the top of the Sanastee formation and is the same formation encountered between the elevations of plus 781 feet and plus 314 feet in El Paso's Ojo Amarillo #1 located 890 feet from the North and East lines of Section 27, Township 29 North, Range 14 West, as such formation is shown on the Schlumberger induction-electrical log of said well, dated April 22, 1960.

4. UNIT OPERATOR

HUMBLE OIL & REFINING COMPANY is hereby designated as Unit Operator and by signature hereto as Unit Operator, agrees and consents to accept the duties of Unit Operator for the development and production of unitized substances as herein provided. Whenever reference is made hereto to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term working interest owner when used herein shall include or refer to Unit Operator as the owner of a working interest when such interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR

Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners, the Area Director and the Supervisor, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Supervisor, unless a new Unit Operator shall have been selected and approved, and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability or default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the affirmative vote of 100% of the voting interest remaining after excluding the voting interest of Unit Operator. Such removal shall be effective upon notice thereof to the Area Director and the Supervisor.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interests in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations as owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any materials, equipment or appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR

Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, the working interest owners, according to their respective participating percentages, shall by affirmative vote of at least fifty-one percent (51%) of the total voting interests select a successor Unit Operator; provided, however that no Unit Operator who has been removed may vote to succeed himself. Notice of the selection of a successor unit operator shall be filed with the Area Director and the Supervisor.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT

All costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the working interest owners, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the working interest owners, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator, as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated shares of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by the Unit Operator and the working interest owners; however, no such unit operating

agreement shall be deemed either to modify the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of the completely executed unit operating agreement dated October 1, 1961, referred to in this section were filed with the Supervisor prior to approval of the unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR

Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for the prospecting for, producing, storing, allocating and distributing of the unitized substances, are hereby granted and delegated to, and shall be exercised by, the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land, lease, royalty interest, working interest, operating agreement or communitization agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. PLAN OF FURTHER DEVELOPMENT AND OPERATION

It is agreed that the unitized land will be operated under a plan of pressure maintenance or some form of secondary recovery in order to effect the greater recovery of unitized substances, prevent waste, and conserve natural resources. Before the effective date of this agreement the Unit Operator has submitted for the approval of the Supervisor an acceptable plan of development and operation for the unitized land, which has been approved by the Supervisor, and the same shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to

this section shall be as complete and adequate as the Supervisor may determine to be necessary for timely development and proper conservation of oil and gas resources of the unitized area and shall, to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of the parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. After the effective date hereof, no further wells, except such as may be specifically approved by the Supervisor, shall be drilled except in accordance with the plan of development approved as herein provided.

The Unit Operator is hereby authorized to inject gas, oil, liquified petroleum gas, brine, water or a combination of said substances and any other substances and any one or more of said substances, into the unitized formations through any well or wells now or hereafter completed therein pursuant to any appropriate pressure maintenance or secondary recovery program; provided, however, that such operations may be conducted by Unit Operator only in accordance with a plan of operation approved by the Supervisor. The parties hereto hereby grant to the Unit Operator the use of brine or water, or both, from any formation for such injection operations; provided, however, no Indian water rights are granted hereby other than those granted in leases or agreements heretofore executed, but any such Indian water rights heretofore granted under any leases or agreements may be utilized for unit operations anywhere on unitized lands. Unit Operator shall have the right to dispose of salt water or any other substances in any formation subject to approval of the Supervisor.

10. PARTICIPATION AND ALLOCATION OF PRODUCTION

All unitized substances produced from the unitized land (except any part thereof used in conformity with good operating practices on unitized land within the Unit Area for drilling, operating, camp and other production or development purposes, for pressure maintenance or secondary recovery operations in accordance with a plan of operation approved by the Supervisor, or unavoidably lost) shall be deemed to be produced from each and every part and parcel of the lands subject to this agreement, whether or not there is actual production of oil or gas from each such parcel of the land subject hereto. All benefits accruing under

this agreement shall be allocated among the working interest owners in accordance with their agreed percentages of participation as specified in their above mentioned agreement dated as of October 1, 1961. For royalty purposes, the allocation of unitized substances to each tract shall be computed as follows:

$$\text{Tract Allocation} = \frac{\text{Tract net acre-feet Gallup "A" zone} \times 100}{\text{Unit net acre-feet Gallup "A" zone}}$$

The percentage of participation of each tract is set out upon a presumed 100% commitment in Exhibit "C" attached hereto and made a part hereof.

Such schedule shall cover tract participation for royalty settlement until a new schedule is approved by the Supervisor. If less than all tracts are committed hereto as of the effective date of this agreement, unit operator, as soon as practicable after such date, shall file with the Supervisor and the Area Director a revised schedule (Exhibit C) showing the percentage of participation each tract is entitled to as of said effective date pursuant to the preceding paragraph, unless disapproved by the Supervisor and the Area Director within thirty days after filing, said revised Exhibit C.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 2 (Unit Area) hereof, by expansion of the unit, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 25 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 24 (Loss of Title), the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Supervisor and the Area Director to show the new tract participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Supervisor and the Area Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is so approved. Not less than six copies of Exhibit "C" or each revision thereof, shall be filed with the Supervisor.

11. ROYALTY SETTLEMENT

The Indians and all royalty owners who, under existing contracts, are entitled to take in kind a share of the unitized substances produced, shall hereafter be entitled to take in kind their share of the unitized

substances, and Unit Operator, or in case of operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases except that said royalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into the unitized land for use in pressure maintenance, stimulation of production or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, a like amount of gas, less appropriate deduction for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement. If liquified petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor, part or all of such liquified petroleum gases may be withdrawn royalty free pursuant to such limitations, conditions and formulas as may be prescribed or approved by the Supervisor.

Royalty due the Indians shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Indian land as provided herein at the rate specified in the respective Indian leases.

12. RENTAL SETTLEMENT

Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the Indians subject to this agreement shall be paid at the rate specified in the respective leases from the Indians unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary of the Interior (hereinafter called "Secretary") or his duly authorized representative.

13. CONSERVATION

Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of such substances as to prevent waste as defined by or pursuant to State or Federal law or regulations.

14. DRAINAGE AND BORDER AGREEMENTS

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or with the consent of the Director, pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Supervisor.

The working interest owners holding interests in unitized substances as shown in Exhibit B as may be revised, are hereby empowered, with the approval of the Supervisor, to enter into a line agreement or agreements with the working interest owners of adjoining lands not subject to this unit agreement, with respect to the operation for the production of oil and gas from the whole or any part of the area affected.

15. LEASES AND CONTRACTS CONFORMED AND EXTENDED

The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force

and effect; and the parties hereto hereby consent that the Secretary shall, and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of any Indian lease committed hereto and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, and without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized land will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land embraced.

(c) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands committed to this agreement which, by its terms, might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(d) Any Indian lease committed hereto having a part of its lands within the Unit Area shall be segregated as to (i) the lands lying inside the unit area described on Exhibits A and B, as to all formations thereunder, and (ii) the lands lying outside the unit area, as to all formations thereunder; and the provisions of such lease shall apply separately to such segregated parts commencing as of the date hereof.

16. COVENANTS RUN WITH LAND

The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and

their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working interest subject hereto shall be binding upon the Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer; and no assignment or transfer of any royalty or other interest shall be binding upon the working interest owner responsible therefor until the first day of the calendar month after said working interest owner is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM

This agreement shall become effective upon approval by the Indian Commissioner, or his duly authorized representative, as of the first day of the month following the date of approval, and shall remain in effect so long as unitized substances are produced from the unitized land in paying quantities, i.e., in this particular instance, in quantities sufficient to pay for the cost of producing same.

This agreement may be terminated at any time by the working interest owners whose participating percentages aggregate not less than 90% with the approval of the Area Director; prompt notice of any such approval shall be given by Unit Operator to all parties hereto.

18. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION

The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify, from time to time in his discretion, the rate of prospecting and

development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

19. APPEARANCES

Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, or other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

20. NOTICES

All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. NO WAIVER OF CERTAIN RIGHTS

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right to defense as to the validity or invalidity of any law of the state wherein said unitized land is located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

22. UNAVOIDABLE DELAY

All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to produce unitized

substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

23. EMPLOYMENT

The Unit Operator shall comply with the terms and conditions of the Indian leases while engaged in operations thereon with respect to the employment of available Indian labor.

24. LOSS OF TITLE

In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to the title to any royalty, working interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that as to Indian land, no payments of funds due the Indians shall be withheld, but such funds shall be deposited as directed by the Supervisor to be held as unearned money pending final settlement of the titled dispute, and then applied as earned or returned in accordance with the final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

25. NON-JOINDER AND SUBSEQUENT JOINDER

If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Area Director, the Supervisor and the Unit Operator prior to the approval of this agreement by the Area Director. Any oil or gas interest in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting

to this agreement and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After final approval hereof, the right of subsequent joinder, as provided in this section, by a working interest owner, is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Area Director.

26. EXECUTION AND COUNTERPARTS

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto, with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

27. TAXES

The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived

therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

28. NO PARTNERSHIP

It is expressly agreed that the relation of the parties hereto is that of independent contractors, and nothing in this agreement contained, express or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto, or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date first above written, and set opposite their respective names the date of execution and the address of each of the respective executing parties.

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: January 8, 1964

HUMBLE OIL & REFINING COMPANY

Address: P. O. Box 120
Denver, Colorado

By: [Signature]
Attorney-in-Fact

WORKING INTEREST OWNERS

Date: January 9, 1964

EL PASO NATURAL GAS PRODUCTS COMPANY

Address: P. O. Box 1161
El Paso, Texas

By: [Signature]
Attorney-in-Fact

Date: JAN 16 1964

EL PASO NATURAL GAS COMPANY

Address: PO Box 1492
El Paso, Texas, 79900

By: [Signature]
Attorney-in-Fact

APPROVED MAR 3 - 1964

S/ JOHN C. DIBBERN
ASSISTANT AREA DIRECTOR

Signature Page
Northwest Cha Cha Unit Agreement
San Juan County, New Mexico

Date: _____

PAN AMERICAN PETROLEUM CORPORATION

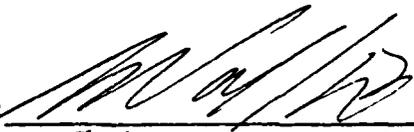
Address: P. O. Box 1410
Fort Worth, Texas

By: _____
Attorney-in-Fact

ROYALTY INTEREST OWNER

Date: FEB 5 - 1964

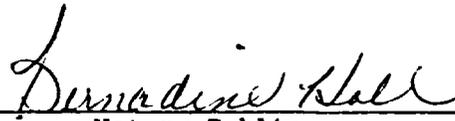
NAVAJO TRIBE OF INDIANS

By:  _____
Chairman, RAYMOND NAKAI
Navajo Tribal Council

STATE OF COLORADO)
CITY & _____) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 8th day
of January, 1964 by W. F. Eiting, Jr. as Attorney
in Fact on behalf of HUMBLE OIL & REFINING COMPANY.

My commission expires:
My Commission expires April 25, 1964


Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19__ by _____ as Attorney
in Fact on behalf of _____.

My commission expires:

Notary Public

Notary Public

STATE OF Texas)
COUNTY OF El Paso) SS.

The foregoing instrument was acknowledged before me this 16th day of January, 1964 by Sam Smith as Attorney in Fact on behalf of EL PASO NATURAL GAS COMPANY.

My commission expires:
NATALIE TAYLOR
Notary Public in and for El Paso County, Texas
~~My Commission Expires June 1, 1965~~

Natalie Taylor
Notary Public

STATE OF TEXAS)
COUNTY OF EL PASO) SS.

The foregoing instrument was acknowledged before me this 9th day of January, 1964 by Roland L. Hamblin as Attorney in Fact on behalf of EL PASO NATURAL GAS PRODUCTS COMPANY.

My commission expires:
MARY T. SAXON
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1965

Mary T. Saxon
Notary Public

STATE OF ARIZONA)
COUNTY OF APACHE) SS.

On the 5th day of February, 1964, personally appeared before me RAYMOND NAKAI, who, being by me duly sworn, did say th he is the Chairman of the Navajo Tribal Council, and that said i strument was signed in behalf of said Council by authority of a resoluion of said Council, and that said RAYMOND NAKAI acknowle to me that said Council executed the same.

WITNESS my hand and official seal.

Walter F. Woyt
Notary Public in and for
Apache County, Arizona

My Commission expires January 6, 1967.

RATIFICATION AND JOINDER
IN THE NORTHWEST CHA CHA UNIT AGREEMENT
COUNTY OF SAN JUAN, STATE OF NEW MEXICO
DATED DECEMBER 1, 1963

For the consideration stated in the above described Unit Agreement the undersigned, as a working interest owner, hereby ratifies, confirms and joins in the execution of the said Unit Agreement, which is hereby incorporated herein and made a part hereof to the same extent and effect as if the undersigned had executed the original of said Unit Agreement.

The undersigned acknowledges receipt of a copy of said Unit Agreement and acknowledges that no representations not incorporated herein or in said Unit Agreement have been made to the undersigned, and that this instrument has been signed and delivered unconditionally.

Dated: 1-20-64

PAN AMERICAN PETROLEUM CORPORATION

Address: P. O. Bcx 1410
Fort Worth, Texas

By: C. F. Bedford
Attorney-in-Fact



WORKING INTEREST OWNER

STATE OF Texas)
COUNTY OF Tarrant) ss.

The foregoing instrument was acknowledged before me this 20 day
of January, 1964 by C. F. BEDFORD as
Attorney in Fact on behalf of PAN AMERICAN PETROLEUM CORPORATION.

My commission expires:

6-1-65

Thora Frater THORA FRATER
Notary Public

RESOLUTION OF THE ADVISORY COMMITTEE
OF THE NAVAJO TRIBAL COUNCIL

Approving Pressure Maintenance Waterflood Operations in the Cha
Cha - Gallup Oil Field and Authorizing Chairman to Execute
Agreements

WHEREAS:

1. The Humble Oil & Refining Company has requested Tribal approval of initiation of pressure maintenance waterflood operations in the Cha Cha - Gallup Oil Field using water from the San Juan River.

2. It is estimated that the total oil recovery will be increased by over four million barrels by the prompt institution of pressure maintenance waterflood methods of operations.

3. Since all leases are at the same royalty rate and are Tribal, the operator plans to begin the project activities under a joint operating agreement, with the understanding that a unit agreement will be executed at a later date.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Advisory Committee approves of pressure maintenance and waterflood operations in the Cha Cha - Gallup Oil Field, San Juan County, New Mexico, on Tribal leases, using water from the San Juan River, not allocated to the Navajo Tribe.

2. The Chairman of the Navajo Tribal Council is hereby authorized to execute any agreements necessary or advisable for the early institution of pressure maintenance activities in this field, including a unit agreement when prepared, on terms which he deems to be in the best interest of the Navajo Tribe.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Advisory Committee of the Navajo Tribal Council at a duly called meeting at Window Rock, Arizona, at which a quorum was present and that same was passed by a vote of 6 in favor and 0 opposed, this 12th day of March, 1962.



Pro Tem Chairman
Navajo Tribal Council

EXHIBIT "A"

NORTHWEST CHA CHA UNIT

SAN JUAN COUNTY, NEW MEXICO

LAND TYPES ACRES %
INDIAN 7626.80 100.00%

② TRACT NUMBERS UNIT OUTLINE

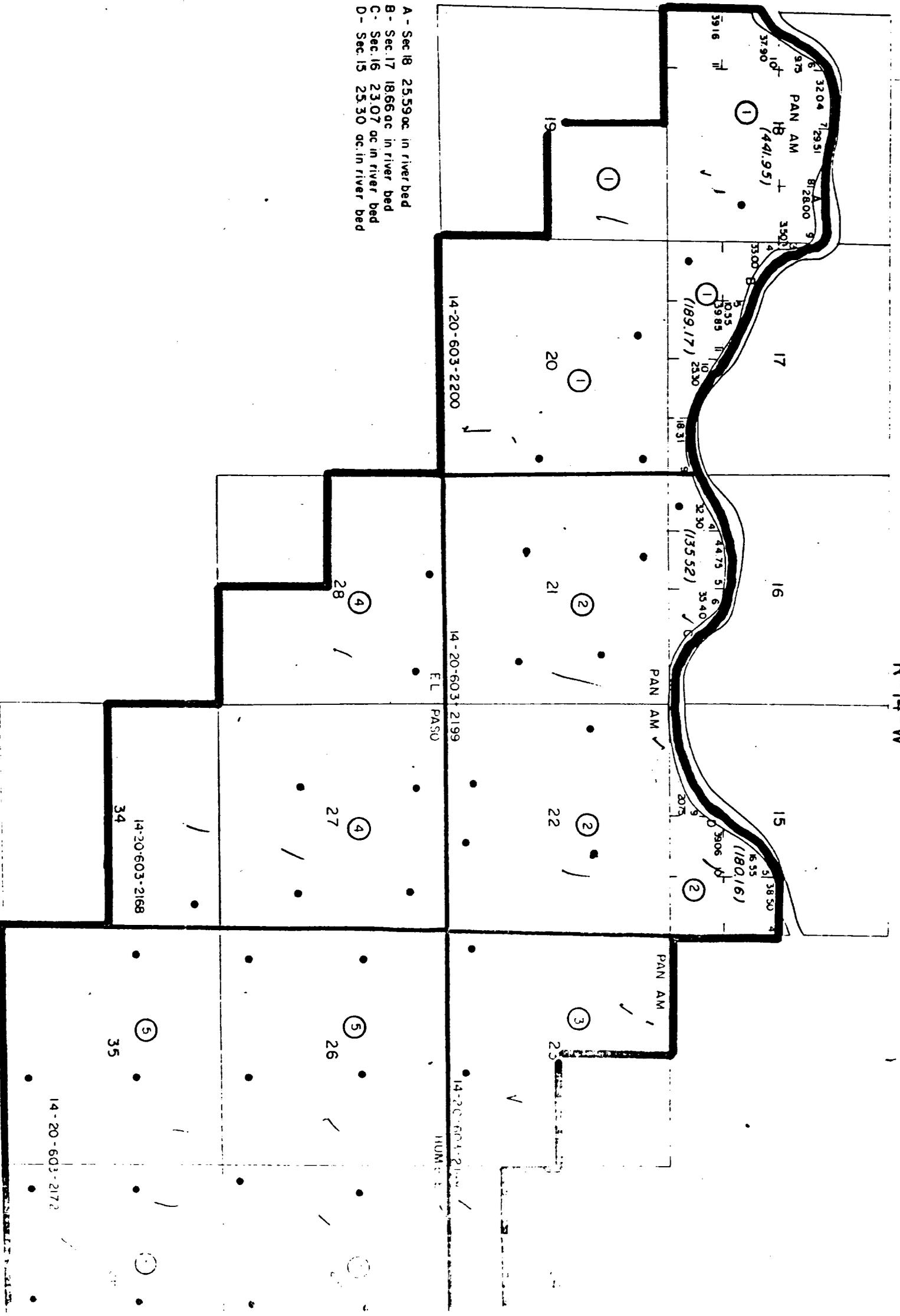
INDIAN LEASE SERIAL NOS. G.L.O. DATUM
14-20-603-2200 29N-14W 8-31-82
14-20-603-2199
14-20-603-2198
14-20-603-2168
14-20-603-2172

WORKING INTEREST OWNERS

HUMBLE - Humble Oil & Refining Company
PAN AM - Pan American Petroleum Corporation
EL PASO - El Paso Natural Gas Products Company

^B
El Paso Natural Gas Company

R-14-W



- A - Sec 18 25.59 ac in river bed
- B - Sec 17 18.66 ac in river bed
- C - Sec 16 23.07 ac in river bed
- D - Sec 15 25.30 ac in river bed

14-20-603-2200

14-20-603-2199

EL PASO

14-20-603-2168

14-20-603-2172

HUMPHREYS

14-20-603-2172

EXHIBIT "B"
 NORTHWEST CHA CHA UNIT AREA
 SAN JUAN COUNTY, NEW MEXICO
 Township 29 North, Range 14 West

Rev. 12-1-63

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>NAVAJO TRIBAL LAND</u>							
1	T-29-N, R-14-W: Sec. 17 - All South of Mid-Channel, San Juan River	1,431.12	14-20-603-2200 12-20-66	USA in Trust for Navajo Tribe 12.50%	Pan American	None	Humble Pan American El Paso
2	T-29-N, R-14-W: Sec. 15 - All that portion of the S/2 lying south of Mid-Channel, San Juan River	1,595.68	14-20-603-2199 12-20-66	USA in Trust for Navajo Tribe 12.50%	Pan American	None	Humble Pan American El Paso
3	T-29-N, R-14-W: Sec. 23 - NW/4 & S/2 Sec. 24 - S/2 SW/4 and SW/4 SE/4	600.00	14-20-603-2198 12-20-66	USA in Trust for Navajo Tribe 12.50%	Pan American	None	Humble Pan American El Paso

Exhibit "B"- Northwest Cha Cha Unit Area

4	T-29-N, R-14-W: Sec. 27 - ALL	1,440.00	14-20-603-2168 12-31-66	USA in Trust for Navajo Tribe 12.50%	El Paso Natural Gas Products Company	None	Humble Pan American El Paso	43.64% 40.53% 15.82%
5	T-29-N, R-14-W: Sec. 25 - ALL Sec. 26 - ALL Sec. 35 - ALL Sec. 36 - ALL	2,560.00	14-20-603-2172 2-14-67	USA in Trust for Navajo Tribe 12.50%	Humble Oil & Refining Company	None	Humble Pan American El Paso	43.64% 40.53% 15.82%

5 NAVAJO TRACTS -----7,626.80 Acres or 100.00% of unit area

1. As used in this exhibit, Pan American refers to Pan American Petroleum Corporation; Humble refers to Humble Oil & Refining Company; El Paso refers to El Paso Natural Gas Products Company.
2. The working interest ownership in all tracts is shown for the Gallup formation as set out in Joint Operating Agreement dated October 1, 1961, executed by El Paso Natural Gas Products Company, El Paso Natural Gas Company, Humble Oil & Refining Company and Pan American Petroleum Corporation; and recorded January 19, 1962 at 8:45 a.m. in book 507 at page 5, on the San Juan County, New Mexico, records. Prior to said Joint Operating Agreement, the gas rights in Tract 4 were owned by El Paso Natural Gas Company and the oil rights in Tract 4 were owned by El Paso Natural Gas Products Company, with El Paso Natural Gas Company owning a 6.25% production payment as to the oil rights.



EXHIBIT "C"
to the Unit Agreement
Northwest Cha Cha Unit
San Juan County, New Mexico

For royalty purposes, 12½% of production from the entire unit area shall be allocated in accord with the following percentage participation

<u>Tract No.</u>	<u>Tract Name</u>	
1	Navajo "G"	8.6795%
2	Navajo "E"	28.2701
3	Navajo "H"	2.9469
4	Navajo "Ojo"	15.4238
5	Navajo "L"	<u>44.6797</u>
		100.0000%

For working interest purposes and after payment of all royalty, the remaining 87½% of production from the entire unit area shall be allocated on the undivided interest basis specified in the unit operating agreement in accord with the following percentage participation

<u>Owner</u>	
El Paso Natural Gas Products Company	15.83%
Humble Oil & Refining Company	43.64
Pan American Petroleum Corporation	<u>40.53</u>
	100.00%

CHANGE IN UNIT OPERATOR

66
N.W. CHA CHA UNIT AREA
SAN JUAN COUNTY, NEW MEXICO

THIS AGREEMENT, dated as of the 1st day of October, 1982, by and between SUBURBAN PROPANE GAS CORPORATION, a New Jersey corporation, maintaining an office at 601 Crown Tower, 8700 Crownhill Boulevard, San Antonio, Texas 78217 and whose mailing address is P. O. Box 17689, San Antonio, Texas 78217 (herein called "Suburban") and SLAYTON OIL CORPORATION, a New Mexico corporation maintaining an office in Roswell, New Mexico, whose mailing address is P. O. Box 1936, Roswell, New Mexico 88201 (herein called "Slayton").

W I T N E S S E T H :

WHEREAS, under the provisions of the Tribal Land Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U.S.C. Secs. 396a, et seq., and Departmental Order No. 2508 dated January 11, 1949, 14 F.R. 258-260, the Bureau of Indian Affairs has heretofore approved the Unit Agreement for the N.W. Cha Cha Unit area, San Juan County, New Mexico; and

WHEREAS, Suburban has previously been designated and approved as Unit Operator of such unit; and

WHEREAS, the interests in the N.W. Cha Cha Unit previously owned by Suburban have been transferred and assigned to Slayton; and

WHEREAS, for sufficient and valuable consideration, the receipt whereof is hereby acknowledged, all of the rights of Suburban under the Operating Agreement for the N.W. Cha Cha Unit referred to above have been transferred to Slayton; and

WHEREAS, under the terms and provisions of Paragraph 6 of the Unit Agreement and Paragraphs 4.3.2 and 6.1 of the Unit Operating Agreement referred to above Suburban has tendered its resignation as Operator and the working interest owners of the N.W. Cha Cha Unit have unanimously voted and agreed that Slayton shall serve as successor Operator of the N.W. Cha Cha Unit, subject only to obtaining appropriate approval thereof by the office of the Secretary of the Interior and agencies having jurisdiction thereof as required by applicable regulations;

6c NOW, THEREFORE, in consideration of the foregoing, Suburban does hereby transfer, assign, release, and quitclaim unto Slayton all of Suburban's rights, duties, and obligations as Unit Operator under said Unit Agreement, and Slayton, for the same consideration, hereby accepts this assignment and hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to all the terms of said Unit Agreement to the full extent set forth in this assignment, effective upon the filing of notice thereof in accordance with the terms of said Unit Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date hereinabove set forth.

SUBURBAN PROPANE GAS CORPORATION

By Ernest Borden Jr.
ASS T SECRETARY

SLAYTON OIL CORPORATION

By Paul Slayton
Paul Slayton, President

12239
6-184a
(August 1961)

LEASE No. 14-20-603-2200-A

CONTRACT No. _____ 3

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

ASSIGNMENT OF MINING LEASE

WHEREAS, the Secretary of the Interior or his authorized representative has heretofore approved that certain oil and gas mining lease, dated January 25, 1957, entered into by and between Chairman, Navajo Tribal Council, lessor, and Pan American Petroleum Corporation, lessee, covering the following-described lands in the Navajo Reservation (Insert name of Reservation, Pueblo, Nation, etc., as needed) in the State of New Mexico, County of San Juan Tract No. Township 29 North, Range 14 West, N.M.P.M. Section 17; All South of Mid-Channel of San Juan River Section 18; All South of Mid-Channel of San Juan River Section 19: NE 1/4 Section 20; All

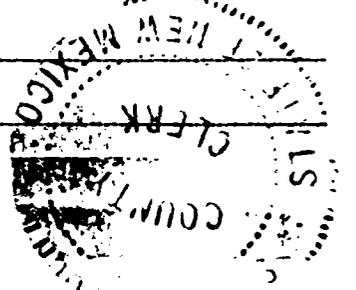
NOW, THEREFORE, for and in consideration of Ten dollars (\$ 10.00), the receipt of which is hereby acknowledged, the said Energy Reserves Group, Inc. the owner of the above-described lease, hereby bargains, sells, transfers, assigns, and conveys all right, title, and interest in and to said lease,

subject to the approval of the Secretary of the Interior or his authorized representative to Slayton Oil Corporation, P. O. Box 1936, Roswell, New Mexico 88201, of

Said assignment to be effective from date of approval hereby by the Secretary of the Interior or his authorized representative. January 1, 1983 at 7:00 a.m. upon approval

IN WITNESS WHEREOF, the said assignor has hereunto set its hand and seal, this 26th day of January, 1983

ENERGY RESERVES GROUP, Inc.
Bernard A. Wirth
Bernard A. Wirth



16-11683-3

(OVER)

I DO HEREBY certify that this instrument was filed for record on this 13TH day of JUNE, 1984 at 12:20P.M. and recorded in BOOK 989 PAGE 352. REC.#40890 FEE \$4.00

STATE OF NEW MEXICO:
SAN JUAN COUNTY

SANDRA TOWNSEND
COUNTY CLERK

Carol Bandy
DEPUTY

352-A

ACKNOWLEDGMENT OF CORPORATION

STATE OF COLORADO } ss:
COUNTY OF DENVER }

Before me, a notary public, in and for said county and State on this 26th day of January, 1983, personally appeared Bernard A. Wirth, Attorney-in-Fact, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its Attorney-in-Fact and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

My commission expires March 20, 1986

Lee J. Roiler, Notary Public.

ACKNOWLEDGMENT OF INDIVIDUAL

STATE OF _____ } ss:
COUNTY OF _____ }

Before me, a notary public, in and for said county and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

My commission expires _____, 19____

Notary Public.

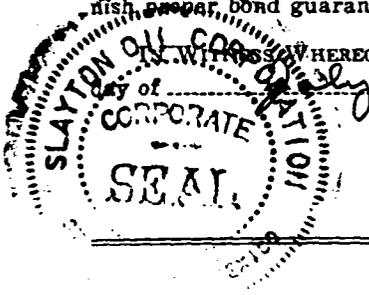
ACCEPTANCE BY ASSIGNEE

The assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment and agrees to fulfill all the obligations, conditions, and stipulations in said described indenture of lease, when assigned, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement.

HEREOF, the said assignee has hereunto set his hand and seal this 18th day of _____, 1983

SLAYTON OIL CORPORATION

BY Paul Slayton, President



CONSENT OF SURETY

The _____, of _____, surety for _____ on the bond accompanying the lease above described, hereby consents to the assignment and transfer of said lease as above made and agrees that said bond shall remain in force and effect covering obligations of assignee.

Dated at _____ this _____ day of _____, 19____

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

APR 30 1984

Acting Assistant Area Director.

APPROVED:

Slayton Oil Co.
Box 150
Laramie

12

5-154e
(August 1961)

LEASE No. 14-20-603-2172

CONTRACT No. 355

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

ASSIGNMENT OF MINING LEASE

WHEREAS, the Secretary of the Interior or his authorized representative has heretofore approved that certain oil and gas mining lease, dated December 21, 1956, entered into by and between Chairman, Navajo Tribal Council, lessor, and Humble Oil & Refining Company, lessee, covering the following-described lands in the Navajo Reservation (Insert name of Reservation, Pueblo, Nation, etc., as needed) in the State of New Mexico, County of San Juan

Tract No. 67-A

Township 29 North, Range 14 West, N.M.P.M.

Section 25: All Section 35: All

Section 26: All Section 36: All

NOW, THEREFORE, for and in consideration of Ten

dollars (\$10.00), the receipt of which is hereby acknowledged, the said Suburban Propane Exploration Co., Inc.

the owner of the above-described lease, hereby bargains, sells, transfers, assigns, and conveys all right, title, and interest in and to said lease,

subject to the approval of the Secretary of the Interior or his authorized representative to Slayton Oil Corporation, P. O. Box 1936, Roswell, New Mexico 88201, of Roswell, New Mexico.

Said assignment to be effective from date of approval hereby by the Secretary of the Interior or his authorized representative. October 1, 1982 at 7:00 a.m. upon approval

IN WITNESS WHEREOF, the said assignor has hereunto set its hand and seal, this 1st day of October, 1982

SUBURBAN PROPANE EXPLORATION CO., INC.

By David M. Horne
DAVID M. HORNE
Agent and Attorney in Fact

SUBURBAN PROPANE EXPLORATION CO., INC.
(OVER) POST OFFICE BOX 1748
SAN ANTONIO, TEXAS 78217

16-11003-3

I DO HEREBY certify that this instrument was filed for record on this 13TH day of JUNE, 1984 at 12:23P.M. and recorded in BOOK 989 PAGE 355.

REC.#40890 FEE \$4.00
STATE OF NEW MEXICO:
SAN JUAN COUNTY :

SANDRA TOWNSEND
COUNTY CLERK

David M. Horne

APPROVED:

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
19 84
MAY 10
Handwritten signatures and dates: 5/9/84, 5/10/84

Dated at _____ this _____ day of _____, 19 _____
The _____, of _____, surety for _____, on the bond accompanying the lease above described, hereby consents to the assignment and transfer of said lease as above made and agrees that said bond shall remain in force and effect covering obligations of assignee.

CONSENT OF SURETY

In Witness Whereof, the said assignee has hereunto set _____ its _____ hand and seal this _____ day of _____, 19 _____
By _____
Paul Slayton, President
SLAYTON OIL CORPORATION

ACCEPTANCE BY ASSIGNEE

The assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment and agrees to fulfill all the obligations, conditions, and stipulations in said described indenture of lease, when assigned, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement.

Before me, a notary public, in and for said county and State, on this _____ day of _____, 19 _____ personally appeared _____
STATE OF _____ }
COUNTY OF _____ }
ss: _____

ACKNOWLEDGMENT OF INDIVIDUAL

Before me, a notary public, in and for said county and State, on this _____ day of _____, 1982, _____ personally appeared _____
STATE OF Texas }
COUNTY OF Bexar }
ss: _____
My Commission Expires: 5/4/86
JOY F. LINDSEY
Notary Public in and for the State of Texas
My Commission Expires: 5/4/86

ACKNOWLEDGMENT OF CORPORATION

Before me, a notary public, in and for said county and State, on this _____ day of _____, 1982, _____ personally appeared _____
STATE OF Texas }
COUNTY OF Bexar }
ss: _____

Slayton Oil Co.

355-A

240
5-1546
(August 1981)

LEASE No. 14-20-603-2198-A

CONTRACT No. 353

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

ASSIGNMENT OF MINING LEASE

WHEREAS, the Secretary of the Interior or his authorized representative has heretofore approved that certain oil and gas mining lease, dated January 25, 1957, entered into by and between Chairman, Navajo Tribal Council, lessor, and Pan American Petroleum Corporation, lessee,

covering the following-described lands in the Navajo Reservation (Insert name of Reservation, Pueblo, Nation, etc., as needed) in the State of New Mexico, County of San Juan Tract No. Township 29 North, Range 14 West, N.M.P.M. Section 23: NW $\frac{1}{4}$, S $\frac{1}{2}$ Section 24: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$

NOW, THEREFORE, for and in consideration of Ten dollars (\$ 10.00), the receipt of which is hereby acknowledged, the said Energy Reserves Group, Inc.

the owner of the above-described lease, hereby bargains, sells, transfers, assigns, and conveys all right, title, and interest in and to said lease,

subject to the approval of the Secretary of the Interior or his authorized representative to Slayton Oil Corporation, P.O. Box 1936, Roswell, New Mexico 88201, of

Said assignment to be effective from date of approval hereby by the Secretary of the Interior or his authorized representative. January 1, 1983 at 7:00 a.m. upon approval

IN WITNESS WHEREOF, the said assignor has hereunto set its hand and seal, this 26th day of January, 19 83

ENERGY RESERVES GROUP, INC.
Bernard A. Wirth
Bernard A. Wirth, Attorney-in-Fact
SAN JUAN COUNTY CLERK
JAN 27 1983

10-11683-3

(OVER)

DO HEREBY certify that this instrument was filed for record on this 13TH day of JUNE, 1984 at 12:21P.M. and recorded in BOOK 989 PAGE 353. FEE \$4.00

REC.#40890
STATE OF NEW MEXICO:
SAN JUAN COUNTY :

SANDRA TOWNSEND
COUNTY CLERK
Carol Bandy
DEPUTY

ACKNOWLEDGMENT OF CORPORATION

STATE OF COLORADO } ss:
COUNTY OF DENVER }

Before me, a notary public, in and for said county and State on this 26th day of January, 1983
personally appeared Bernard A. Wirth

He is known to me to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its Attorney-in-Fact and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

My commission expires March 20, 1986 Lee J. Koller Notary Public.

ACKNOWLEDGMENT OF INDIVIDUAL

STATE OF _____ } ss:
COUNTY OF _____ }

Before me, a notary public, in and for said county and State, on this _____ day of _____, 19____ personally appeared _____

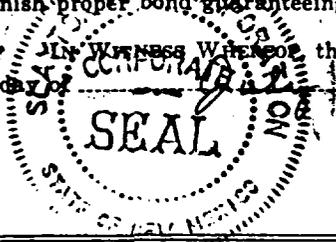
_____, to me known to be the identical person... who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

My commission expires _____, 19____ Notary Public.

ACCEPTANCE BY ASSIGNEE

The assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment and agrees to fulfill all the obligations, conditions, and stipulations in said described indenture of lease, when assigned, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement.

In Witness Whereof, the said assignee has hereunto set his hand and seal this 18th day of _____, 1983



SLAYTON OIL CORPORATION
BY Paul Slayton
PAUL SLAYTON, President

CONSENT OF SURETY

The _____, of _____, surety for _____

_____ on the bond accompanying the lease above described, hereby consents to the assignment and transfer of said lease as above made and agrees that said bond shall remain in force and effect covering obligations of assignee.

Dated at _____ this _____ day of _____, 19____

APPROVED:

Slayton Oil Co.

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
APR 3 0 1984
Acting Assistant Area Director.

LEASE No. 14-20-603-2199

CONTRACT No. 354

1241 8-184a (August 1961)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF INDIAN AFFAIRS

ASSIGNMENT OF MINING LEASE

WHEREAS, the Secretary of the Interior or his authorized representative has heretofore approved that certain oil and gas mining lease, dated January 25, 1957, entered into by and between Chairman, Navajo Tribal Council, lessor, and Pan American Petroleum Corporation, lessee, covering the following-described lands in the Navajo Reservation in the State of New Mexico, County of San Juan

Tract No. Township 29 North, Range 14 West, N.M.P.M. Section 15: All that portion of the S 1/2 lying South of Mid-Channel of San Juan River Section 16: All South of Mid-Channel of San Juan River Section 21: All Section 22: All

NOW, THEREFORE, for and in consideration of Ten dollars (\$10.00), the receipt of which is hereby acknowledged, the said Energy Reserves Group, Inc. the owner of the above-described lease, hereby bargains, sells, transfers, assigns, and conveys all right, title, and interest in and to said lease,

subject to the approval of the Secretary of the Interior or his authorized representative to Slayton Oil Corporation, P. O. Box 1936, of Roswell, New Mexico

98201 Said assignment to be effective from date of approval hereby by the Secretary January 1, 1983 at 7:00 a.m. upon approval of the Interior or his authorized representative.

IN WITNESS WHEREOF, the said assignor has hereunto set its hand and seal, this 26th day of January, 1983

ENERGY RESERVES GROUP, INC. Bernard A. Wirth, Attorney in Fact [Signature] [Circular Stamp: COUNTY CLERK]

16-11043-3

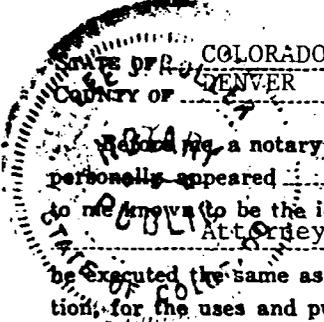
(OVER)

I DO HEREBY certify that this instrument was filed for record on this 13TH day of JUNE, 1984 at 12:22P.M. and recorded in BOOK 989 PAGE 354.

REC.#40890 FEE \$4.00 STATE OF NEW MEXICO: SAN JUAN COUNTY :

SANDRA TOWNSEND COUNTY CLERK [Signature]

ACKNOWLEDGMENT OF CORPORATION



State of COLORADO } ss:
County of DENVER }
Before me, a notary public, in and for said county and State on this 26th day of January, 1983
personally appeared Bernard A. Wirth
to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its Attorney-in-Fact and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

My commission expires March 20, 1988
Lee J. Roller Notary Public

ACKNOWLEDGMENT OF INDIVIDUAL

STATE OF _____ } ss:
COUNTY OF _____ }

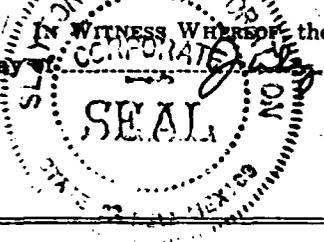
Before me, a notary public, in and for said county and State, on this _____ day of _____, 19____ personally appeared _____, to me known to be the identical person who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

My commission expires _____, 19____ Notary Public.

ACCEPTANCE BY ASSIGNEE

The assignee in the above and foregoing assignment, made subject to the approval of the Secretary of the Interior, hereby accepts such assignment and agrees to fulfill all the obligations, conditions, and stipulations in said described indenture of lease, when assigned, and the rules and regulations of the Secretary of the Interior applicable thereto, and to furnish proper bond guaranteeing a faithful compliance with said lease and this agreement.

In witness whereof the said assignee has hereunto set his hand and seal this 18th day of _____, 1983



SLAYTON OIL CORPORATION
BY Paul Slayton
PAUL SLAYTON, President

CONSENT OF SURETY

The _____, of _____, surety for _____ on the bond accompanying the lease above described, hereby consents to the assignment and transfer of said lease as above made and agrees that said bond shall remain in force and effect covering obligations of assignee.

Dated at _____ this _____ day of _____, 19____

APPROVED:
Slayton Oil Co.

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
APR 30 1984
Acting Assistant Area Director



Greenwood
Resources Inc.



315 Inverness Way South
Englewood, CO 80112-5898
303-790-1266
Telex - 45-0429

Case No. 8535

March 7, 1985

EXPRESS MAIL

Mr. R. L. Stamets
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico

RE: Order #R7630

Dear Mr. Stamets:

This will inform you that Greenwood Resources Inc. has no objection at this time to Slayton Oil Corporation's forming a 70.5 acre, non-standard proration unit nor do we want any participation in the 32-18 NW Cha-Cha well.

Please contact the undersigned if you have any questions.

Very truly yours,

GREENWOOD RESOURCES INC.

By *Linda L. Price*
Linda L. Price
Vice President - Land

cc: Paul Slayton