

OPERATING AGREEMENT

This agreement made and entered into by and between  
HOWARD HOGAN, of Ramsey County, Minnesota  
(hereinafter called "Operator", whether one or more) and  
CHARLES T. SCOTT, HAROLD S. RUSSELL and HERBERT J. SCHMITZ,  
all of Cook County, Illinois, and F. D. LORTSCHER of Los  
Angeles County, California,

(hereinafter called "Non-Operator", whether one or more);

WITNESSETH:

WHEREAS, the parties hereto are the joint owners of  
the working interest in a certain oil, gas and mineral lease  
dated December 28, 1937, entered into by and between the United  
States of America as Lessor, and E. E. Jack, as Lessee, bearing  
Serial No. Las Cruces 032326(b), insofar only as the same  
covers the NW 1/4 of Section 8, Township 24 South, Range 37  
East, N.M.P.M., Lea County, New Mexico;

HARTMAN  
Exhibit #13  
Transcript  
pp. 43-44

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and desire to provide for their mutual rights and liabilities with reference to the production from the above described lease and the future operation and development of same for oil and gas purposes;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, which consideration is deemed by the parties hereto to be in all respects adequate and sufficient, it is hereby agreed by and between the Operator and Non-Operator as follows:

1. Division of Interests. All income, benefits, costs, expense, and liabilities accruing or resulting from the operation of the premises pursuant to this agreement, and all development, if any, shall be determined, shared, and borne by the parties hereto in the following respective proportions:

Howard Hogan	1/5
Charles T. Scott	1/5
Harold S. Russell	1/5
Herbert J. Schmitz	1/5
F. D. Lortscher	1/5

2. Rights and Duties of Operator. Operator shall have full and exclusive control, management and supervision of the development and operation of the jointly owned leased premises for the production of oil, gas, casinghead gas, and other minerals, with full power to do whatever, in his judgment, may be necessary and proper to that end, and as such Operator shall use his best skill and judgment in the operations and in the future development, if any, of the leased premises. All such operations and future development, if any, shall be conducted pursuant to and be governed by the terms of this Operating Agreement and of the Accounting Procedure Schedule attached hereto, marked Exhibit "A", and made a part hereof the same as if copied herein in full. Operator, before incurring any item of expense in excess of Five Thousand (\$5,000.00) Dollars, except in connection with the drilling of any authorized well, shall secure the written approval of Non-Operator. The consent and approval of the drilling of any such additional well shall be construed to mean the approval of all necessary expenditures in drilling, completing and fully equipping said well to produce. Operator shall keep the leased premises free from liens for material furnished or labor performed and agrees to indemnify Non-Operator and hold him harmless from all liability to third parties for such cost and expenses. Operator shall keep full and correct records and accounts of all operations hereunder; shall make all reports and returns that may be required by law, rules or regulations and that lessors may be entitled to receive; shall furnish to Non-Operator monthly reports of the operations, and if additional wells are drilled, logs of all such wells drilled, such cuttings and samples of formations penetrated and waters encountered, as Non-Operator may request, copies of all tank tables, run tickets and gauge reports, reports of all accidents, fires or other casualties, and shall notify Non-Operator of his intention to drill into any known oil or gas bearing sand in sufficient time to allow him to have a representative present to

witness the operation. Non-Operator shall have free access at all times to the leased premises and shall have the right to observe and inspect all operations conducted thereon and all of the books and records of Operator relating to his operations on the leased premises.

3. Insurance. Operator shall ~~insure and keep insured~~ at all times all operations conducted by him under this contract with Workmen's Compensation Insurance, as provided by the laws of the State where the operation is being conducted; public liability bodily injury insurance, with limits of not less than \$50,000.00 for the accidental injury or death of one person, and not less than \$100,000.00 for the accidental injuries or deaths of more than one person as the result of one accident, and Public Liability Property Damage Insurance with limit of not less than \$5,000.00 for damage to property resulting from one accident.

4. Marketing Production. Each party hereto expressly reserves the right and privilege to receive in kind and separately dispose of his proportionate share of the production from the jointly owned leased premises covered by this agreement, and of receiving the proceeds thereof. Any extra expenses incurred by delivery of his proportionate share of such production to any one party, or such party's nominee, shall be borne by such party.

5. Additional Wells. No well in addition to existing well or wells, or wells now in the process of being drilled, shall be drilled on the lands above described without the consent of the majority in interest of the parties, or if one party shall at any time own a majority in interest, then not without the consent of such party and at least one other party. In event any party hereto shall fail to agree to the drilling of a well desired by any other party, then the parties desiring so to do may drill such well at their own cost, risk and expense and, in the event of production, they shall be entitled to receive the entire working interest in the oil, gas and casinghead gas produced therefrom until they shall have received out of the value of such production, after deducting operating expenses, royalty payments and any other charges against the same, an amount equal to twice the cost and expense of drilling and completing said well. The cost and expenses here contemplated shall be such as are usual and necessary in developing, equipping and operating the property for oil, gas and casinghead gas and for producing and marketing the same. After the parties drilling such well shall have been so reimbursed, then such well shall be and become subject to all of the terms and provisions of this agreement with the same force and like effect as though it had been drilled with the consent of all of the parties hereto.

6. Abandonment of Wells. No well which is producing or has once produced shall be abandoned without the consent of all parties. In event any party desires to abandon any well and all of the parties do not agree thereto, then the party or parties declining to abandon said well shall pay to each party desiring to abandon said well his proportionate part of the value of the material and equipment in and on said well (determined in accordance with the Accounting Schedule) less the cost of salvaging the same, and each party desiring to abandon the same shall assign to the other party or parties in proportion to their then existing interests, without warranty of title, all of his

interest in said well and in the oil and gas leases as to the formation or formations which he desires to abandon in and under a tract surrounding said well of an area equal to that prescribed for one well in such formation or formations by the rules and orders of any regulatory body having jurisdiction in the premises. In event no area is so prescribed by such rules or orders, then the area of the tract to be covered by any such assignment shall be a tract of 40 acres. Upon such assignment the party assigning shall thereafter have no interest in the assigned acreage, and shall be relieved of all obligations thereafter accruing with respect to such assigned acreage.

7. Surrender of Leases. No party shall surrender or release his interest in the oil and gas leases covering the leased premises, either in whole or in part, without the written consent of the other parties. Should any party desire at any time to surrender said leases and any other party or parties not consent thereto, the former shall assign to the latter in proportion to their then existing interest, without warranty of title, his interest in said leases insofar as they cover the acreage which he desires to surrender and thereupon the party so assigning shall be relieved of all obligations thereafter accruing with respect to such assigned acreage and shall thereafter have no interest in the assigned acreage. If there is material or equipment on the assigned acreage, the other party or parties shall pay to the party assigning his proportionate part of the value thereof (determined in accordance with the Accounting Schedule) less the cost of salvaging the same.

8. Delay Rentals. In the event that all parties to this agreement agree to pay annual delay rentals, Operator shall use his best efforts to pay said rentals for the joint account of all parties hereto; but Operator shall not be liable in damages to Non-Operators for failure to pay any annual delay rentals or for the payment of same in an improper manner. In the event that any party or parties desire to pay annual delay rentals and any other party or parties do not desire to join in the payment of such rentals, then the party or parties declining the payment of such rentals shall immediately assign his interest in the lease, without warranty, to the party or parties desiring to pay the annual delay rentals. Upon such assignment being made, the party assigning thereafter shall have no interest in the assigned acreage or the personal property, fixtures, or equipment situated thereon, and shall be relieved of all obligations thereafter accruing with respect to such assigned acreage, but shall not be relieved of any existing obligations.

9. Taxes. Operator shall render and pay ad valorem taxes, taxes on production not paid by a purchaser of such production, and all other taxes of any nature and kind whatever (except the Federal and State Income Taxes and any state franchise, license, or other similar tax necessary to be paid by the parties hereto to maintain their corporate existence) which are applicable to operations hereunder in accordance with existing laws, and shall bill the other parties for their proportionate shares of such tax payments as provided by the Accounting Schedule hereto attached.

10. Lien of Operator. Operator shall have a lien

on the interest of Non-Operator in the leased premises and in the oil, gas and casinghead gas produced therefrom and in the proceeds thereof to secure the payment of any amount that may at any time become due and payable by Non-Operator to Operator under the terms of this agreement, together with interest thereon as herein provided.

11. Liabilities. The liabilities of the parties hereto are intended to be several and not joint or collective and nothing herein contained or implied shall be deemed or construed to create a partnership duty, obligation, or liability.

12. Service of Notice. All notices, statements, reports and other correspondence relative to this agreement shall be deemed to have been duly served by mailing the same to the parties at their respective addresses as follows:

Howard Hogan	Box 6069, Dallas, Texas
Charles T. Scott	Willoughby Tower, 8 S. Michigan Blvd., Chicago 4, Illinois
Harold S. Russell	332 S. Michigan Blvd., Chicago 4, Illinois
Herbert J. Schmitz	5555 N. Sheridan Rd., Chicago 40, Illinois
F. D. Lortscher	1030 Burlinghill Rd., Long Beach 7, California

13. Laws and Regulations. This agreement is subject to all applicable laws, rules, regulations and orders, and in event this agreement, or any of its provisions, or any of the operations contemplated hereby, are found to be inconsistent with or contrary to any such law, rule, regulation or order, the latter shall be deemed to control, and this contract shall be regarded as modified accordingly, and as so modified shall continue in full force and effect.

14. Term of Agreement. This agreement shall remain in force and effect for a term coextensive with the terms of the oil, gas and mineral lease covering the leased premises and any extensions or renewals thereof, whether by production or otherwise, unless sooner terminated by mutual consent of the parties hereto; provided, however, at any time the owners of a majority of the working interest in the oil, gas and mineral lease may terminate this agreement upon giving Operator sixty (60) days notice of their intention so to do and take over the operation of the said lease on the same terms and conditions as are imposed on the Operator hereunder.

This agreement shall be binding upon the parties hereto, their heirs, successors, assigns, and legal representatives, and wherever the context hereof requires, reference herein made to the singular number shall be understood as including the plural, and likewise the plural shall be understood as including the singular; words denoting sex shall be construed to include the masculine, feminine and neuter, when such

construction is appropriate; and specific enumeration shall not exclude the general but shall be considered as cumulative.

EXECUTED this the 16th day of January ,  
A. D. 1951 .

*Howard Hogan*  
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Howard Hogan

O P E R A T O R

*Charles T. Scott*  
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Charles T. Scott

*Harold S. Russell*  
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Harold S. Russell

*Herbert J. Schmitz*  
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Herbert J. Schmitz

*F. D. Lortscher*  
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F. D. Lortscher

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