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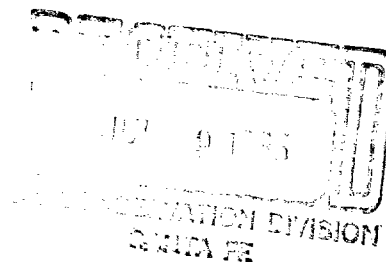
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July 8, 1985



REPLY TO SANTA FE OFFICE

Mr. Gilbert P. Quintana
Hearing Examiner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Oil Conservation Division Case No. 8640,
Caulkins Oil Compulsory Pooling

Dear Gilbert:

Enclosed please find copies of the lease sale agreements between various predecessors in interest of Union Oil of California and El Paso Natural Gas. It is these agreements and various amendments thereto which create the outstanding overriding royalty burden upon a portion of the acreage involved in this forced pooling case.

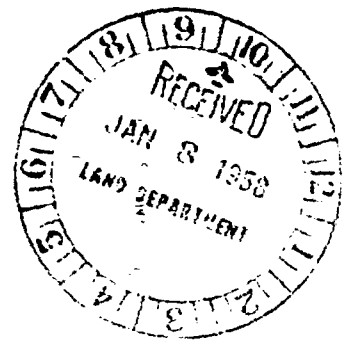
If I can be of any further assistance, please let me know.

Sincerely,

W. Perry Pearce

WPP:dml
Enclosure
cc: Karen Aubrey, Esquire (w/enclosures)

Stewart
1/1c



OIL AND GAS LEASE SALE AGREEMENT

dated

July 6, 1953

between

EL PASO NATURAL GAS COMPANY

and

JOHNSTON OIL AND GAS COMPANY

Covering oil and gas leases in San Juan Basin.

OIL AND GAS LEASE SALE AGREEMENT

This AGREEMENT made and entered into this 6th day of July, A.D. 1953, by and between JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H :

WHEREAS, Johnston is the present owner and holder of various oil and gas leases covering lands in the San Juan Basin; and

WHEREAS, El Paso is the owner and operator of gas transmission and gathering facilities within and extending beyond the San Juan Basin and is desirous of acquiring leases from which a portion of its gas requirements for such facilities, as proposed to be expanded, may be obtained:

NOW, THEREFORE, in consideration of the premises, the mutual covenants and promises contained herein and other good and valuable considerations, the full receipt and sufficiency of all of which are hereby acknowledged by each of the said parties, the said parties hereby agree as follows:

ARTICLE I.

DEFINITIONS

As used in this agreement the following terms have the meanings herein stated:

Section 1. The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven (7) o'clock A.M. Mountain Standard Time.

Section 2. The term "month" shall mean a period commencing at seven (7) o'clock A.M. Mountain Standard Time on the first day of any calendar month and ending at seven (7) o'clock A.M. Mountain Standard Time on the first day of the next succeeding calendar month.

Section 3. The term "year" means a period of twelve (12) months beginning at seven (7) o'clock A.M. Mountain Standard Time on the first day of January of any calendar year and ending at seven (7) o'clock A.M. on the first day of January of the next succeeding calendar year.

Section 4. The term "gas" shall include both natural gas and casinghead gas.

Section 5. The term "lease" means the conventional gas lease or oil and gas lease under which the lessee has the right to produce and market gas (except casinghead gas in some cases) from the lands covered thereby, the life of which is for a stated number of years

and as long thereafter as oil or gas is produced in paying quantities, and the term "lease" shall also include applications for leases, options to acquire leases and agreements entitling one party to dispose of gas produced from leases.

Section 6. The term "mcf" means one thousand (1,000) cubic feet.

Section 7. The term "PSIG" means pounds per square inch gauge.

Section 8. The term "subject lands" means all lands covered by Johnston's leases as described in Exhibit "A" hereof.

Section 9. The term "Rincon Unit" shall mean the leases (as above defined) and the subject lands covered thereby listed and described under the title "Rincon Unit" in Exhibit "A" hereof.

Section 10. The term "overriding royalty" as applied to Johnston's interest means the right to receive a certain portion of production or payment out of production free and clear of any cost, expense, charge, deduction or tax levied on production, severance or transportation.

Section 11. The term "open flow capacity" means the ability or capacity of a natural gas well to produce natural gas for a period of twenty-four (24) hours as determined by the most recent open flow test conducted by

the parties hereto by flowing the well wide open against no back pressure for a period of six (6) consecutive hours after it has been shut in for a period of at least seventy-two (72) consecutive hours, and computing the open flow capacity from center impact readings taken by means of a Pitot tube in accordance with the Walter Reid formula or conducted in such other manner as may be agreed upon between the parties.

Section 12. The term "gas well" means any well (a) which produces a natural gas not associated or blended with crude petroleum oil at the time of production, or (b) which produces more than 100 mcf of natural gas to each barrel of crude petroleum oil from the same producing horizon.

Section 13. The term "oil well" means any well which produces one barrel or more of crude petroleum oil to each 100 mcf of natural gas.

Section 14. The term "oil" means any liquid hydrocarbon having a gravity of 50 or less degrees A.P.I.

ARTICLE II.

LEASES BEING SOLD

Section 1. Johnston represents and warrants that it owns or has the right to acquire the percentage of the production from the leases covering the subject lands more

fully shown and described in Exhibit "A" attached hereto and made a part hereof for all purposes, subject to the provisions of Article III hereof.

Section 2. Subject to the terms and provisions of this agreement, Johnston agrees to sell and deliver to El Paso, and El Paso agrees to purchase from Johnston and pay for the entire working interest of Johnston, free and clear of liens and of contracts for the sale of gas produced therefrom, as and in the manner hereinafter set forth, in each and all of the lands and/or leases described in said Exhibit "A" in so far as such interest pertains to the right to explore for and produce gas from zones and/or formations down to and including the Mesaverde Formation.

Section 3. The sale of leases provided for in Section 2 above shall include not only the said leases of Johnston, but also (in so far as any of the following shall pertain to gas wells producing from formations down to and including the Mesaverde Formation) the interest of Johnston in all wells and well structures on any of the subject lands and the interest of Johnston in all casing, fittings, appurtenances and personal property located on the leased premises and attached to or used with such wells, together with the right of ingress and egress to and from the leased premises, including but not limited to the

right to construct and maintain on such lands all works, buildings, plants, waterways, roads, telegraph and telephone lines, pipe lines, reservoirs, tanks, pumping stations and other structures necessary or appropriate to the full enjoyment of the interest in the said leases being sold in Section 2 above, together also with the right to develop water on said subject lands and to use same in connection with El Paso's operations hereunder, but all subject to the terms, provisions and conditions hereof and subject to the provisions of the said leases, assignments thereof and other instruments and documents pertaining thereto under which Johnston's title is derived.

Section 4. It is understood that the United States Department of the Interior may not approve any assignment of an interest in an oil and gas lease on federal public domain which is limited to certain structures, horizons or depths. It is therefore agreed that Johnston may, at its option, reserve and retain all or part of the interest in that portion of the subject lands which is federal public domain, and which Johnston shall be entitled to retain hereunder, either by operating agreement or by other method acceptable to the Department of the Interior instead of by assignment as provided elsewhere herein.

ARTICLE III.

EXCEPTIONS AND RESERVATIONS

Section 1. In the various said leases of Johnston, assignments thereof and other instruments and documents pertaining thereto, there are excepted and reserved to or assigned for the benefit of the various lessors, assignors and others, certain royalties, overriding royalties and other rights and interests in, to and connected with oil, gas and other minerals produced from and under such leases, reference being here made to all such leases, assignments, instruments and documents for a more particular description of the terms thereof. The obligation of Johnston to sell and deliver the said leases to El Paso hereunder is made expressly subject to all such royalties, overriding royalties and other rights and interests so excepted, reserved or assigned.

Section 2. In addition to the overriding royalties and outstanding interests specified in Section 1 of this Article III, Johnston hereby excepts from this agreement and reserves and retains unto itself and its successors and assigns, or to person(s) whom Johnston may designate, the following:

Paragraph A. An overriding royalty on Johnston's interest in all gas produced and saved from the said leases and the subject lands being sold herein as follows:

(1) 5¢ per mcf on all such gas produced and saved during the first 3-1/3 years after the date of closing.

(2) 6¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) 7¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(4) 8¢ per mcf on all such gas produced and saved during the next one year thereafter.

(5) 9¢ per mcf on all such gas produced and saved during the next three years thereafter.

(6) 10¢ per mcf on all such gas produced and saved during the next one year thereafter.

(7) Not less than 10¢ per mcf on all such gas produced and saved thereafter.

Paragraph B. The volumes of gas, upon which the overriding royalties described in Paragraphs A and C of this Article III shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix

thereto and subsequent amendments and appendices from time to time made. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the subject lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

Paragraph C. The overriding royalty specified in subparagraph (7) of Paragraph A above shall in no event be less than the amount stated therein but shall be arrived at as follows: Approximately ninety (90) days prior to the end of the first fifteen (15) years following the date of closing the parties shall attempt to agree upon the amount of such overriding royalty for the next five-year period. If the parties agree upon such overriding royalty, then such amount shall be the overriding royalty to be received by Johnston hereunder for such period. If the parties cannot agree upon such amount, then such amount shall be determined by a board of arbitrators to be appointed as provided in Article X hereof. The board of arbitrators, in determining the amount of such overriding royalty, shall base their decision on the then value of such gas at the well head, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field

prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of El Paso's pipe lines or gathering systems or of any pipe line system to which any of El Paso's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amount of such overriding royalty. The overriding royalty reserved by Johnston in Paragraph A above shall be determined for each five-year period after the twentieth year following the date of closing in like manner to that provided above for the five-year period next following the fifteenth year after the date of closing, but in no event shall the amount of such overriding royalty be less than 10¢ per mcf.

Paragraph D. An overriding royalty in the amount of 33-1/3% on Johnston's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from the said leases and the subject lands being sold herein. At Johnston's option El Paso shall deliver to Johnston such overriding royalty in kind or shall pay to Johnston the fair market value thereof in cash; provided, however, that if El Paso shall desire to contract for the sale of any such liquid hydrocarbons

over a period of years it shall notify Johnston of the price, terms and conditions of such proposed contract and, within thirty (30) days after the receipt of such notice, Johnston shall elect either to join in such contract or to take in kind its share of the liquid hydrocarbons to which such contract relates, for the entire term of such contract. At all times prior to the completion of construction and commencement of operation by El Paso of a plant for extraction of such liquids, El Paso shall pay to Johnston in cash the estimated value of 33-1/3% of all liquids produced with or contained in gas produced from the leases being sold herein and applicable to Johnston's interest therein, regardless of whether such liquids are extracted from the gas. If the parties are unable to agree upon such estimated value, then the amount thereof shall be determined by arbitration as provided in Article X hereof. El Paso agrees that it will with reasonable dispatch construct and thereafter efficiently operate a plant at a location to be selected by it in the said San Juan Basin for the extraction of such liquids. El Paso agrees to conduct all of its operations in such manner as to reasonably and economically conserve and ultimately recover the maximum amount of liquids reasonably and economically recoverable from said gas. Johnston shall have the option at the end of the first

3-1/3 year period of operation of such plant to purchase the total propane production from such plant applicable to gas produced from the subject lands, at the average price received by El Paso for such production during the last year of said 3-1/3 year period, such option to be exercisable by Johnston at any time during the second 3-1/3 year period of operation of such plant. Should Johnston exercise such option it shall thereupon have the continuing right to purchase, and shall purchase, such propane production on such basis at all times during the remainder of the life of such plant.

Paragraph E. It is understood that the United States Department of the Interior may not approve reservations of the overriding royalties described in Paragraphs A, B, C and D above as to federal public domain unless such overriding royalties on any particular lease from which the average production per well per day is 500 mcf of gas or less are converted to a working interest. It is agreed therefore that Johnston may in the assignments containing its reservation of such overriding royalties on federal public domain provide for the suspension of such overriding royalties when production is less than such amount; provided, however, that notwithstanding such provision, it is agreed that during any and all such periods

when production on any particular lease shall be less than such amount Johnston shall receive in lieu of such overriding royalties in such lease a portion of the working interest therein (including liquid hydrocarbons after extraction) in an amount to be agreed upon by the parties hereto, and if they cannot so agree, then in an amount to be agreed upon by a board of arbitrators in accordance with Article X hereof. El Paso agrees that in any event Johnston shall receive such amount of working interest (including liquid hydrocarbons after extraction) in such lease so that after deduction of its part of all costs of operation from the proceeds of the sale of gas therefrom (including the liquid hydrocarbons extracted from such gas) Johnston shall receive a net amount in cash from such working interest which shall be equal to the amount Johnston would have been entitled to receive otherwise as overriding royalties from such lease during such period, and Johnston agrees to sell such gas to El Paso on such basis.

Paragraph F. All oil in, to and under the said leases and the subject lands (for the benefit of itself and others owning interests therein), together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and construction and operation of all facilities necessary

or appropriate in connection therewith. In the event any well is drilled through any zone from which El Paso shall be producing gas, then Johnston agrees to take adequate measures to protect such zone against infiltration of water and/or loss of gas.

Paragraph G. All gas and other hydrocarbon substances in, to and under the said leases and the subject lands in all formations below the Mesaverde Formation, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and construction and operation of all facilities necessary or appropriate in connection therewith, but subject to the provisions of Sections 3 and 4 of Article VI hereof and Section 2 of Article VII.

ARTICLE IV.

PRICE OF WELLS

At the time of closing provided for in Article IX hereof El Paso shall pay to Johnston in cash an amount equal to Ninety Thousand Dollars (\$90,000.00) for each commercial gas well (not exceeding a total of four) being sold herein completed in the Mesaverde Formation and Thirty Thousand Dollars (\$30,000.00) for each commercial gas well (not exceeding a total of fifteen) being sold

herein and completed in the Pictured Cliffs Formation.

El Paso may, at its option, also acquire any Pictured Cliffs or Mesaverde well of Johnston on the subject lands which is then being reworked or which shall have been completed as a non-Commercial well by paying to Johnston at that time in cash the actual cost thereof. El Paso shall reimburse Johnston for the cost of any well being drilled on the subject lands at the time of closing hereunder and shall take over operation thereof at that time, provided that the completed well costs (including El Paso's costs of completing such well after assignment) shall not exceed the above agreed amounts. In any instance where Johnston does not own all of a particular well, the purchase price thereof hereunder shall be reduced proportionately. The cash payments provided for in this Article IV are to cover Johnston's share of the agreed cost of such wells and no part thereof shall be considered as purchase price for said leases. For the purpose of this Article IV, the term "Commercial Well" means any gas well completed in the Mesaverde Formation having an open flow potential of at least 500 mcf per day, and any well completed in the Pictured Cliffs Formation having an open flow potential of at least 150 mcf per day, provided

that all wells completed in the Mesaverde Formation on the date of closing shall have an average open flow potential of at least 1,000 mcf per day. If all such Mesaverde gas wells shall not have such average open flow potential, then El Paso may, but shall not be obligated to, purchase such Mesaverde gas wells, and the total price payable by El Paso to Johnston for all such Mesaverde gas wells shall be reduced by a fraction, the numerator of which shall be the number of mcf by which the average open flow potential of such wells is less than 1,000 mcf and the denominator of which fraction shall be 1,000.

If El Paso should not acquire any well hereunder, then such well and the drilling unit upon which it shall be situated shall thereupon be considered excluded for all purposes from this agreement and El Paso shall have no further interest therein hereunder, but only in so far as the formation in which the well is completed is concerned.

ARTICLE V.

PAYMENT OF OVERRIDING ROYALTIES

Section 1. El Paso assumes and agrees to pay as and when the same shall become due and payable all outstanding royalty, overriding royalty, carried and other interests under the leases herein sold applicable to all gas, oil and other hydrocarbons produced and saved

by El Paso and not delivered in kind to Johnston hereunder.

Section 2. El Paso agrees to pay to Johnston at Houston, Texas, on or before the 20th day of each month, the overriding royalties reserved by Johnston herein applicable to one-twelfth (1/12) of the annual minimum volumes of gas required to be taken or paid for hereunder.

All amounts of gas taken in excess of the minimum so paid for shall be paid for by El Paso for each year on or before the 20th day of January of the next succeeding year.

Should El Paso fail to pay any such amount to Johnston as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of six per cent (6%) per annum from the due date or dates until the date of payment thereof.

Section 3. Johnston shall have the right to examine at reasonable times the books, records, laboratory tests and charts of El Paso to the extent necessary to verify the accuracy of any statement, test, chart or computation made under or pursuant to any of the provisions of this agreement.

ARTICLE VI.

EL PASO'S DEVELOPMENT PROGRAM

Section 1. El Paso assumes and agrees to perform and fulfill (subject to the terms and provisions of Section 2 of this Article VI) all of the terms, covenants and

conditions of the lessee in each of the said leases purchased by it hereunder or in the assignments thereof or other instruments pertaining thereto under which Johnston's title is drived, in so far as they cover and affect the drilling of wells and the production of gas and/or other hydrocarbon substances from formations down to and including the Mesaverde Formation and in such deeper formations in which El Paso may operate hereunder, including payment of all rentals which become due after the date of closing. El Paso agrees to fully develop such leases down to and including the Mesaverde Formation at such times and in such a manner as to (a) avoid forfeiture of such leases, and (b) comply with the requirements of all governmental agencies having jurisdiction. El Paso agrees that either by unitization or development and production, El Paso shall protect the subject lands against drainage from wells on adjacent lands.

Section 2. Promptly after the execution of this agreement two geologists, one representing each of the parties, shall prepare a map showing all of the subject lands divided into drilling units for both Mesaverde and Pictured Cliffs wells. Each drilling unit for a Mesaverde well shall contain approximately three hundred twenty (320) acres and each drilling unit for a Pictured

Cliffs well shall contain approximately one hundred sixty (160) acres. El Paso agrees that it will drill or cause to be drilled during the period of seven and one-half (7-1/2) years following the date of closing a well for oil or gas on some portion of each such drilling unit, such wells to be drilled to the Mesaverde-Formation on the Mesaverde drilling units and to the Pictured Cliffs-Formation on the Pictured Cliffs drilling units. It is provided, however, that in the event, at the end of five (5) years next following the date of closing, Mesaverde wells then on the subject lands are not capable of a legally authorized deliverability of ten thousand (10,000) mcf of gas per day and the subject lands have not been fully developed in accordance with the terms of this Section 2, then El Paso shall continue diligent drilling operations to the Mesaverde Formation on the subject lands until Mesaverde wells on the subject lands are capable of a maximum legally authorized deliverability of ten thousand (10,000) mcf of gas per day or until the subject lands have been fully developed in accordance with the terms of this Section 2 and such drilling operations to the Mesaverde Formation shall continue on the subject lands so long as

necessary to maintain the said maximum legally authorized deliverability of ten thousand (10,000) mcf of gas per day from the Mesaverde wells on the subject lands or until the subject lands have been fully developed in accordance with the terms of this Section 2. In the event that development hereafter in the area of or adjacent to any drilling unit should evidence that such drilling unit will not be productive of gas in commercial quantities in the formation applicable to such drilling unit as above specified and for such reason El Paso shall not desire to drill such well thereon, then El Paso shall promptly reassign any such drilling unit to Johnston or to any person whom Johnston may designate and thereupon shall be relieved of its obligation to drill a test well thereon to the formation applicable; provided that El Paso may retain any commercial gas well completed thereon in a shallower or deeper formation, together with its rights in such drilling unit down through such shallower or deeper formation. In the event the operation of any well heretofore or hereafter drilled shall become unprofitable, then El Paso shall have the option upon sixty (60) days' notice to Johnston to reassign to Johnston such well and the unit

upon which such well is situated, and in such event Johnston shall have the option to sell gas produced therefrom to El Paso at the highest price paid for gas of like kind and quality in the field by El Paso or any other bona fide pipe line company, and El Paso agrees to purchase such gas at such price.

Section 3. El Paso shall have the right to drill for oil or gas in formations below the Mesaverde Formation on the subject lands. If El Paso should discover gas in commercial quantities in any such well below such formations, Johnston agrees to assign (to the extent of its interest) to El Paso the legally authorized drilling unit upon which such well shall be located as to all formations down to and including the formation from which such well shall be producing, under the same terms and conditions as such drilling unit shall have been assigned to El Paso hereunder as to all formations down to and including the Mesaverde Formation.

Section 4. If El Paso, in the development of any of said leases, shall drill and complete an oil well thereon, El Paso shall notify Johnston immediately of such well, its location, cost and the results of any tests and other technical data in connection therewith. Johnston shall have the option to acquire such well from El Paso

upon payment of El Paso's cost of drilling, completing and equipping the same, such option to be exercised within ninety (90) days after receipt of such notice. If Johnston should not exercise such option, then such well shall belong to El Paso, but El Paso shall pay to Johnston the same overriding royalty it has agreed to pay Johnston on other liquid hydrocarbons hereunder. In the case of a well completed in any formation below the Mesaverde Formation on the subject lands which shall be producing less than twenty (20) barrels of oil per day and which shall also be producing gas in commercial quantities, Johnston shall have the further option to set a separator on the flow line from such well to separate the oil from the gas, and in such event all oil so separated shall belong to Johnston (for the benefit of itself and others owning interests in same).

ARTICLE VII.

MINIMUM GAS PRODUCTION AND DEEP GAS PRODUCTION

Section 1. El Paso agrees that, as soon as reasonably possible but not exceeding ninety (90) days after the date of closing herein provided for, it will commence and continue taking from wells now existing or which may be hereafter completed on the leases being sold to it hereunder gas produced from such wells and shall take the following quantities of gas, subject to the ability

of the wells to produce said quantities under the rules and regulations of governmental authorities having jurisdiction thereof:

(a) From Mesaverde wells an amount each day equal to twenty-five per cent (25%) of the aggregate open flow potential of all such wells on an eighty per cent (80%) load factor, averaged annually, until annual production from such Mesaverde wells shall reach ten thousand (10,000) mcf per day. Thereafter, El Paso will continue to produce an average of ten thousand (10,000) mcf of gas per day from such Mesaverde wells until the expiration of one year after development of such 10,000 mcf per day production or until El Paso shall have obtained approval from the Federal Power Commission to produce and transport from the subject lands additional amounts of gas, whichever shall occur first. When reserves capable of producing substantially in excess of 10,000 mcf of gas per day shall have been developed, then El Paso agrees either to produce such excess if its facilities are adequate to take such amounts or promptly to apply to the Federal Power Commission for approval to transport from the subject lands additional quantities of gas and to construct such facilities as may be necessary or appropriate therefor. Upon the expiration of the said one-year period or upon receipt of such approval from the Federal Power Commission, whichever shall occur first, then El Paso shall thereupon become obligated hereunder to take

thereafter from all Mesaverde wells on the subject lands an amount of gas each day equal to 25% of the aggregate open flow potential of all such wells on an 80% load factor, averaged annually.

(b) From Pictured Cliffs wells an amount of gas each day equal to 25% of the aggregate open flow potential of all such wells on an 80% load factor, averaged annually.

El Paso shall not be required under any provisions of this agreement to take or purchase gas from any well at a well head working pressure of less than 100 PSIG. In lieu of taking the minimum quantities of gas required by this agreement, El Paso may pay to Johnston in cash all amounts which would have been due to Johnston hereunder had such quantities been taken. Any gas paid for by El Paso but not taken during any year by virtue of the minimum take or pay provisions hereof may be taken by El Paso from the subject lands at any time thereafter out of any production in excess of the minimum quantities above provided for during the period or periods in which such quantities are being made up.

Section 2. If Johnston should develop the said leases for gas in formations below the Mesaverde Formation, then El Paso agrees to connect to its pipe

line system as soon as possible after the completion thereof, each well so drilled, and agrees to commence and continue to purchase ratably therefrom (at the highest price then being paid for gas of like kind and quality and under the same terms and conditions of the most favorable contract pertaining to gas from such formations) until such wells shall have an aggregate open flow potential of 21,500 mcf of gas per day from formations below the Mesaverde Formation, at which time Johnston shall notify El Paso in writing of such development, and El Paso shall have an option to be exercised within ninety (90) days after receipt of such notice, to acquire the oil and gas leases upon which Johnston has such deeper gas production in so far as such leases cover (a) the formations from which such production has been obtained, and (b) the legally authorized drilling units upon which such wells are located, such acquisition to be upon the same terms and conditions as the leases being sold to El Paso herein, and shall pay to Johnston the overriding royalties at the same rates then being paid for shallower production hereunder, except that El Paso in such event shall pay to Johnston in cash the cost to Johnston of drilling, completing and equipping all such wells below the Mesaverde Formation instead of the amounts provided for

elsewhere herein as the agreed price for the wells being sold hereunder. If El Paso does not exercise such option within such time, then Johnston shall have the option to require El Paso to release to Johnston all its rights hereunder to gas which may be produced from any formation in the subject lands below the Mesaverde Formation. If such deeper reserves should be developed in excess of four hundred million (400,000,000) mcf, then Johnston and El Paso shall attempt to agree upon a maximum amount of gas to be taken or paid for therefrom, such amount to be not less than forty-three thousand (43,000) mcf per day. If the parties cannot agree upon such maximum amount, then it shall be determined by arbitration as provided in Article X hereof.

ARTICLE VIII.

APPROVAL OF TITLE

Section 1. On or before one hundred twenty (120) days after the date of the execution of this agreement Johnston shall submit to El Paso all abstracts of title in its possession and all supplemental abstracts certified to date evidencing its title to the subject lands and leases. El Paso shall have thirty (30) days thereafter within which to examine such abstracts, prepare title opinions thereon and reject title to any such lease

or leases the title to which shall be determined by El Paso's attorneys not to be good and merchantable; provided, however, that Johnston shall have thirty (30) days thereafter within which to submit any curative matter necessary to cure any such title objections. If such curative matter is not submitted within said time as to any such lease(s), then, at the option of El Paso, such lease(s) shall be deleted from this agreement at the time of closing, and in such event neither party shall be liable to the other hereunder with respect to such deleted lease(s).

Section 2. Failure of governmental regulatory bodies to approve transfers of title is included within Article IX hereof and is not to be considered an objection to title under this Article VIII. It shall not be necessary for Johnston to establish lease ownership but merely the right to extract and remove gas from the lands in question down to and including the Mesaverde Formation. It is understood that there are various outstanding royalty, overriding royalty and working interests in some or all

of the said leases and such outstanding interests shall not constitute title objections, it being understood that only the net interest of Johnston in said leases is being sold to El Paso hereunder.

Section 3. The approval by governmental agencies referred to in Section 2 of this Article VIII does not refer to approval of the assignment of any particular United States oil and gas lease by the Department of the Interior nor to the approval by the Commissioner of Public Lands of the State of New Mexico of the assignment of any lease issued by the State of New Mexico. However, the refusal of either of such governmental agencies to approve the assignment hereunder of any particular lease under its jurisdiction shall entitle El Paso, after the final decision on any appeal taken from the action of such governmental agency, to require Johnston to repurchase from El Paso at El Paso's cost any well or wells thereon and thereupon El Paso shall reassign any such lease to Johnston in the same manner as hereinabove provided, or if no commercially productive well should be located on such lease at such time, then El Paso shall reassign the same to Johnston for no cash consideration.

ARTICLE IX.

DATE OF CLOSING

Section 1. Transfer of the interest in said leases from Johnston to El Paso being sold hereunder and payment of the cash consideration for the wells thereon, as provided herein, shall take place at Dallas, Texas on January 3, 1954, or at such other time and place as may be agreed upon by the parties, regardless of whether approval of any and all governmental bodies having jurisdiction shall have been obtained theretofore. At the time of closing, Johnston shall execute and deliver to El Paso, or to such other person or persons as El Paso may designate, assignments (subject to the reservations and exceptions hereinbefore set forth and containing covenants of general warranty) of Johnston's interest in the leases to be assigned hereunder. Each party hereto shall execute, or cause to be executed by the record owners of such party's interest in the assigned leasehold interest, such other instruments as may be necessary to subject the assigned leasehold interest to the applicable terms and conditions hereof.

ARTICLE X.

ARBITRATION

Section 1. If and whenever any controversy shall arise out of this agreement or out of the refusal

of either party to perform the whole or any part thereof and the parties shall be unable to agree with respect to such controversy, the same shall be submitted for determination by a board of three arbitrators chosen as follows: Upon written demand of either party and within ten (10) days from the date of such demand, each party shall name an arbitrator and the two arbitrators so named shall promptly thereafter choose a third. If either party shall fail to name an arbitrator within ten (10) days from such demand, the other party shall name the second arbitrator as well as the first, or if the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon written application by either party such third arbitrator may be appointed by the American Arbitration Association.

Section 2. The board of arbitrators so chosen shall proceed immediately to hear and determine the question or questions in dispute. The decision of the board of arbitrators or majority thereof shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances. In the event the board or majority thereof should fail to make a decision within sixty (60) days after the appointment of the third arbitrator, new arbitrators may

at the election of either party be chosen in like manner as if none had previously been selected.

Section 3. The decision of the arbitrators shall be drawn up in writing and signed by the arbitrators or a majority of them and shall be final and binding as to the parties hereto and as to any question or questions so submitted to said arbitrators, and said parties shall abide by such decision and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators, all expense in connection with such arbitration, including a reasonable compensation to the arbitrators, shall be divided equally between the parties hereto, with the exception of expenses of counsel, witnesses and employees of the parties hereto, which, unless otherwise determined by the arbitrators, shall be borne by the parties incurring them.

ARTICLE XI.

WELL DATA AND TESTS

Section 1. Johnston shall furnish to El Paso promptly after the date of closing all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells heretofore drilled by or for Johnston on the subject lands. El Paso shall furnish to Johnston

promptly all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells which may be hereafter drilled by or for El Paso on the subject lands.

Section 2. El Paso agrees to notify Johnston promptly of all shows of oil in any well which may be drilled hereafter by or for El Paso on the subject lands. Johnston shall have the right, at its expense, to require El Paso to core any zone that Johnston considers as possibly oil productive and to require El Paso to perform drill stem tests or other tests to adequately determine the existence and quantity of oil in any horizon. Johnston shall at all times have access to the derrick floor of any and all wells drilled on the subject lands.

ARTICLE XII.

FAVORED NATIONS CLAUSE

If El Paso shall hereafter purchase any oil and gas leases covering land situated within 200 miles of the subject lands and shall pay a higher overriding royalty on gas, considering quality and pressure, than the total overriding royalty stipulated herein for gas or shall pay a higher overriding royalty on the liquid hydrocarbons contained therein, considering quantity and quality, or if El Paso shall hereafter pay any such higher overriding

royalty on gas or liquid hydrocarbons pursuant to any lease purchase agreement executed after May 1, 1952 pertaining to land situated within 200 miles of the subject lands, then El Paso shall thereafter pay to Johnston hereunder such higher overriding royalty for gas or liquid hydrocarbons thereafter produced for so long as El Paso shall pay such higher overriding royalty to others.

ARTICLE XIII.

RINCON UNIT

Upon receipt of written request therefor from El Paso Johnston agrees to resign as operator of the gas rights in those portions of the subject lands within the Rincon Unit down to and including the Mesaverde Formation and further agrees to use its best efforts in such event to have El Paso designated as such operator.

ARTICLE XIV.

MISCELLANEOUS

Section 1. Whenever requested by El Paso, Johnston shall execute or cause to be executed by the record owners of its interest communication agreements in the usual form when necessary to obtain a legally authorized drilling unit. Whenever El Paso desires to explore below the Mesaverde Formation and makes written request, Johnston shall execute or cause to be executed by

the record owners of its interest all designations or other instruments required by regulatory commissions or government officials to enable El Paso to conduct such operations. Whenever El Paso desires to include all or any part of the subject lands within a unit agreement, Johnston shall cooperate with El Paso by executing a unit agreement containing the usual provisions and by requesting necessary approval.

Section 2. Except for El Paso's obligation to make payments of overriding royalties hereunder and except for the obligation of either party to make any other cash payment hereunder, neither party hereto shall be liable for any failure to perform the terms of this agreement when such failure is due to "force majeure".

Section 3. No modification of the terms and provisions of this agreement shall be or become effective except by the execution of supplementary written contracts.

Section 4. No waiver by either party of any one or more defaults by the other in the performance of any provision of this agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

Section 5. Except as herein otherwise provided, any notice, request, demand, statement or bill provided for

in this agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when duly deposited in the United States Mail, registered and postage prepaid, addressed to such other party at its said address. Either party may change its address hereunder by giving such a notice thereof to the other party. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered or ordinary mail. In the event of emergency, notice may be given by telephone or telegraph and confirmed in writing delivered as aforesaid.

Section 6. This agreement and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction. The interpretation and performance of this agreement shall be in accordance with the laws of the State of Texas.

Section 7. This contract shall inure to the benefit of and be binding upon the said parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed, and their respective corporate seals to be hereto affixed and attested, as of the date first above written.

JOHNSTON OIL AND GAS COMPANY

(Seal)

By /s/ Ralph A. Johnston
President

ATTEST:

/s/ Alfred E. McLane
Asst. Secretary

EL PASO NATURAL GAS COMPANY

(Seal)

By /s/ H. F. Steen
Vice President

ATTEST:

/s/ A. C. Martch
Asst. Secretary

STATE OF TEXAS)
 EL PASO) ss.
COUNTY OF DALLAS)

On this 9th day of July, 1953, before me appeared Ralph A. Johnston, to me personally known, who, being by me duly sworn, did say that he is the President of JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said Ralph A. Johnston acknowledged said instrument to be the free act and deed of said corporation.

(Seal)

My commission expires:
June 1, 1955.

/s/ Louise M. Cress
Notary Public in and for
said County and State

LOUISE M. CRESS
Notary Public. in and for El Paso
County, Texas. My commission expires
June 1, 1955

STATE OF TEXAS)
) ss.
COUNTY OF EL PASO)

On this 9th day of July, 1953, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

(Seal)

My commission expires:
June 1, 1955.

/s/ Else M. Richardson
Notary Public in and for
said County and State.

EISE M. RICHARDSON

EXHIBIT "A"

DESCRIPTION OF LANDS AND LEASES

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 078461 Lessee: Arne B. Filan Dated: Oct. 1, 1947

T 27 N. R 8 W. N.M.P.M., San Juan County

4204
Section 5: All;
containing 642.67 acres, more or less.

Record interest of Johnston, undivided 5/6 therein subject to proportionate part of 4%.

2. Santa Fe 078571 Lessee: S. Victor Day Dated: May 1, 1948

T 27 N. R 8 W. N.M.P.M., San Juan County

4205
Section 7: All;
containing 640.44 acres, more or less.

Record interest of Johnston, undivided 5/6 therein subject to proportionate part of 5%.

3. Santa Fe 079321 Lessee: Madolene L. Robinson Dated: July 1, 1949

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

4214
Section 25: All;
containing 640 acres, more or less.

Record interest of Johnston, all,
subject to proportionate part of 5%.

4. Santa Fe 080213 Lessee: Dena Riddle Dated: Nov. 1, 1949

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

4224
Section 28: S/2;
Section 33: All;
Section 34: W/2;

containing 1280 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to an overriding royalty interest of 5% of total production.

5. Santa Fe 079302 Lessee: Otis Wetsel Dated: April 1, 1948

T 26 N. R 6 W. N.M.P.M., Rio Arriba County

4213
Section 6: Lots 1 and 2; S/2 NE/4;

containing 160.48 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

6. Santa Fe 079302-A Lessee: Otis Wetsel Dated: April 1, 1948

T 26 N. R 6 W. N.M.P.M., Rio Arriba County

4214
Section 20: N/2 NW/4, SW/4 NW/4, SW/4, SW/4 SE/4;

containing 320 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

7. Santa Fe 079302-B Lessee: Otis Wetsel Dated: April 1, 1948

T 26 N. R 6 W. N.M.P.M., Rio Arriba County

4215
Section 6: SE/4;

containing 160 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

8. Santa Fe 079160 Lessee: Lloyd W. Miles Dated: May 1, 1948

T 26 N. R 7 W. N.M.P.M., Rio Arriba County

4207
Section 1: All;
Section 11: All;
Section 12: All;

containing 1920.80 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalty interests of 1%, 2-1/2%, 3/4 of 1% and 3/4 of 1%.

9. Santa Fe 079301 Lessee: Coy Lindsey Dated: May 1, 1948

T 26 N. R 6 W. N.M.P.M., Rio Arriba County

4211
Section 6: Lots 3, 4, 5, SE/4 NW/4;

containing 161.8 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

10. Santa Fe 079301-A Lessee: Coy Lindsey Dated: May 1, 1948

T 26 N. R 6 W. N.M.P.M., Rio Arriba County

4212
Section 6: Lots 6 and 7; E/2 SW/4;

containing 161.35 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

11. Santa Fe 079298 Lessee: E. P. Ripley Dated: July 1, 1948

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

4209
Section 13: S/2;

containing 320 acres, more or less.

Record interest of Johnston, all, subject to 5% overriding royalty.

12. Santa Fe 079298-D Lessee: E. P. Ripley Dated July 1, 1948

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

320
Section 13: N/2;
Section 24: S/2;
Section 14: S/2 SW/4; NE/4 SW/4;

containing 760 acres, more or less.

Record interest of Johnston, all, subject
to 5% overriding royalty.

13. Santa Fe 079052 Lessee: Bette Lou Neudecker Dated: July 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

428
Section 17: SW/4, W/2 SE/4, SE/4 SE/4;
Section 18: SE/4, E/2 SW/4;

containing 520 acres, more or less.

Record interest of Johnston, all, subject
to 5% overriding royalty.

14. Santa Fe 080385 Lessee: C. A. Slater Dated: July 1, 1951

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

422
Section 22: SE/4;
Section 23: S/2;
Section 26: All;
Section 27: E/2, SW/4
Section 34: E/2;
Section 35: All;

containing 2560 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject
to overriding royalty interests of 3-1/2%, 3/4 of 1%, and
3/4 of 1%.

15. Santa Fe 079364

Lessee: Mike Abraham

Dated: August 1, 1948

²⁷
T 28 N. R 6 W. N.M.P.M., Rio Arriba County

Section 28: All;

Section 29: All;

Section 30: All;

Section 31: All;

containing 2560.54 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 28: S/2;

Section 29: N/2;

Section 30: S/2;

Section 31: S/2;

containing 1280.85 acres, more or less.

16. Santa Fe 079365

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

Section 13: N/2 SW/4, SW/4 SW/4;

Section 14: W/2, SE/4, SW/4 NE/4;

Section 15: All

Section 24: W/2, W/2 SE/4, NE/4 SE/4;

containing 1720 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage:

Section 13: N/2 SW/4, SW/4 SW/4;

Section 15: S/2;

Section 14: NW/4.

17. Santa Fe 079365-A

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

4220
Section 22: NE/4, NE/4 SE/4;

Section 23: All;

containing 840 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 22: NE/4, NE/4 SE/4;

Section 23: N/2;

containing 520 acres, more or less.

18. Santa Fe 079366

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

4221
Section 19: All;

Section 20: All;

Section 21: All;

Section 22: W/2 W/2, SE/4 SW/4, S/2 SE/4;

Section 27: N/2, NE/4 SE/4;

containing 2558.72 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 19: S/2;

Section 20: N/2;

Section 21: S/2;

Section 22: W/2 SW/4, SE/4 SE/4;

Section 27: NE/4 SE/4.

19. Santa Fe 079367-A Lessee: Mike Abraham Dated: August 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

*Finer
4222*

Section 26: All;
Section 27: SE/4 SE/4, W/2 SE/4, SW/4;

containing 920 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

RIN

Section 26: N/2;
Section 27: SE/4 SE/4, W/2 SE/4.

20. Santa Fe 079367-B Lessee: Mike Abraham Dated: August 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

4223

Section 25: W/2, SE/4, W/2 NE/4;

containing 560 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalties of 10-1/2%.

21. Santa Fe 079363 Lessee: Mike Abraham Dated: August 1, 1948

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

4217

Section 1: All;
Section 10: NE/4, W/2 SE/4, SW/4, SE/4 SE/4;
Section 11: N/2, N/2 SE/4, SE/4 SE/4, SW/4 SW/4;
Section 12: All;
Section 13: N/2, NE/4 SE/4;

containing 2560.42 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to overriding royalties of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

25. E-290

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

Section 32: E/2 NE/4, SW/4 SW/4, SE/4;

Section 36: W/2 NW/4;

Section 2: Lot 1, W/2 SW/4, SE/4; —

Section 16: NE/4;

containing 800.19 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

26. E-290

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

Section 2: SW/4, SW/4 SE/4, Lots 3, 4;

Section 36: W/2 SE/4;

containing 358.96 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

27. E-290

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 27 N. R 6 W. N.M.P.M., Rio Arriba County

Section 2: N/2 NW/4, NW/4 NE/4;

Section 32: W/2 NW/4, NW/4 SW/4, W/2 NE/4, SE/4 SW/4; -

Section 36: E/2 SW/4;

T 27 N. R 7 W. N.M.P.M., Rio Arriba County

Section 2: E/2 NE/4, NE/4 SE/4;

Section 36: N/2 NE/4, E/2 SE/4

containing 719.81 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, with no override, except the following lands which are owned 100%, subject to 5% overriding royalty:

~~The following lands are subject to an overriding royalty~~

~~of:~~ T 27 N, R 6 W, Sec. 32: W/2 NE/4, SE/4 SW/4;

T 27 N, R 7 W, Sec. 36: E/2 SE/4.

28. E-291

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 26 N, R 7 W, N.M.P.M., Rio Arriba County

Section 2: SW/4; -
Section 36: E/2; -

4201

containing 480 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

29. E-291

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 25 N, R 6 W, N.M.P.M., Rio Arriba County

Section 2: Lots 1, 2, S/2 NE/4;

4201

containing 160.85 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

30. E-291

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 26 N, R 6 W, N.M.P.M., Rio Arriba County

Section 32: NE/4;
Section 36: W/2 NW/4, S/2;

4201

containing 560 acres, more or less.

Record interest of Johnston, undivided 5/6 therein, subject to 5% overriding royalty.

31. E-291

Lessee: Levi A. Hughes

Dated: May 2, 1945

T 25 N, R 6 W, N.M.P.M., Rio Arriba County

Section 2: E/2 NW/4;

4201

T 26 N, R 6 W, N.M.P.M., Rio Arriba County

Section 32: S/2 SW/4;
Section 36: E/2 NE/4;

T 26 N, R 7 W, N.M.P.M., Rio Arriba County

Section 2: NW/4;
containing 400.68 acres, more or less.

100 60
40 00

Record interest of Johnston, undivided 5/6 therein, lands with no override, except lands above located in T 26 N, R 7 W, being ~~subject to 5% overriding royalty~~ owned 100%, subject to a 5% overriding royalty.

El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

El Paso, Texas

September 29, 1953

C. L. PERKINS
VICE PRESIDENT AND
GENERAL MANAGER

Mr. Ralph A. Johnston
Johnston Oil and Gas Company
1453 Esperson Building
Houston 2, Texas

Re: Oil and Gas Lease Sale Agree-
ment dated July 6, 1953

Dear Mr. Johnston:

In accordance with your request, this letter will authorize you to drill prior to January 1, 1954, four additional Pictured Cliff wells making a total of nineteen such wells, with the understanding that you will consult with our Mr. W. T. Hollis of Farmington and agree upon locations which will be step outs or extension wells rather than inside locations.

We also authorize the drilling of four Mesa Verde wells, two of which are presently being drilled in Sections 15 and 20, Township 27, Range 6, the other two to be drilled on locations agreed upon between you and Mr. Hollis.

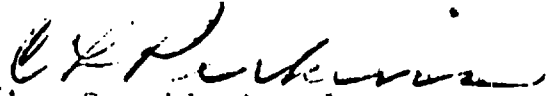
As you will recall, we were liberal in setting the minimum potentials required before we were obligated to take over wells drilled by you prior to closing because the wells were to be located and drilled so as to prove as much acreage as possible.

Our field office informs us that we are making temporary connections to some of your wells so that gas may be delivered pending the Government's granting right of way permits.

By a copy of this letter I am advising Mr. Hollis of this agreement.

If this letter meets with your approval, please indicate your acceptance by signing in the space provided hereunder and return to us one signed copy for our files.

Yours very truly,


Vice President and
General Manager

ACCEPTED and AGREED TO:
JOHNSTON OIL AND GAS COMPANY

By RCO

AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 4th day of January, 1954, by and between JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Johnston and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in Book 16, Page 489 of the official records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Johnston and El Paso desire to modify and amend said Agreement so that same will cover and include three (3) leases and tracts of land hereinafter described the same as if said three (3) leases and tracts were originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Johnston and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953 is hereby modified and amended by the addition of the following three (3) leases and tracts of land to Exhibit "A" thereof the same as if said three (3) leases, and tracts were originally described in said Oil and Gas Lease Sale Agreement dated July 6, 1953, when executed and delivered and subject to the terms, provisions and conditions thereof:

"Federal Oil and Gas Leases Situated in New Mexico

Santa Fe 079360 Lessee: M. A. Romero Dated: October 1, 1948

T 27 N. R 7 W. Rio Arriba County

Section 15: E/2
Section 22: NE/4
Section 23: N/2

containing 800 acres, more or less.

Record interest of Johnston: all of the above lease, subject to overriding royalties totalling 5% of total production of oil and gas.

Oil and Gas Leases, State Lands of New Mexico

E-6443 Lessee: A. E. Cathey Dated: August 14, 1952

T 27 N. R 6 W. Rio Arriba County

Section 16: NE/4 SE/4

containing 40 acres, more or less.

Record interest of Johnston: all of the above lease, subject to overriding royalties totalling 5% of total production of oil and gas.

E-290 Lessee: Levi A. Hughes Dated: May 2, 1945

T 27 N. R 6 W. Rio Arriba County

Section 16: W/2, W/2 SE/4, SE/4 SE/4

containing 440 acres, more or less.

Record interest of Johnston: all of above lease, subject to overriding royalties totalling 10% of total production of oil and gas."

2. It is understood and agreed by and between Johnston and El Paso that the interest of Johnston in:

T 27 N, R 6 W, Rio Arriba County
Section 32: W/2 NE/4, SE/4 SW 4

T 27 N, R 7 W, Rio Arriba County
Section 36: E/2 SE/4,

said lands being a portion of Tract No. 27 in said Exhibit "A", is the full working interest, and that none of the lands comprising the said Tract No. 27 are subject to overriding royalties; and said Exhibit "A" is hereby amended to reflect the correct interest of Johnston in said lands described in this paragraph.

3. In all other respects, said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended hereby, is hereby ratified and confirmed and declared by both Johnston and El Paso to be in full force and effect as of the date hereof.

IN WITNESS WHEREOF the parties have executed this instrument on the day and year first hereinabove stated.

(Seal)
ATTEST:

/s/ Alfred E. McLane
Asst. Secretary

JOHNSTON OIL AND GAS COMPANY

By /s/ L. C. Oldham, Jr.
Vice President

(Seal)
ATTEST:

/s/ R. J. Crowley
Asst. Secretary

EL PASO NATURAL GAS COMPANY

By /s/ H. F. Steen

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 4th day of January, 1954, before me appeared L. C. OLDHAM, JR., to me personally known, who, being by me duly

sworn, did say that he is the Vice President of JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said L. C. OLDHAM, JR. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal)

My commission expires
June 1, 1955.

/s/ Barbara Malloy
Notary Public in and for
Dallas County, Texas

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 4th day of January, 1954, before me appeared H. F. Steen, to me personally known, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal)

My Commission Expires
June 1, 1955.

/s/ Barbara Malloy
Notary Public

AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 24th day of February, 1954, by and between JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Johnston and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in Book 16, Page 489 of the official records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Johnston and El Paso desire to modify and amend said Agreement so that same will cover and include one (1) lease and tract of land hereinafter described the same as if said one (1) lease and tract was originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Johnston and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953 is hereby modified and amended by the addition of the

following one (1) lease and tract of land to Exhibit "A" there-
of the same as if said one (1) lease and tract was originally
described in said Oil and Gas Lease Sale Agreement dated July
6, 1953, when executed and delivered and subject to the terms,
provisions and conditions thereof:

Oil and Gas Lease, State of New Mexico

E-2659 Lessee: Clinton C. Seymour Dated: May 10, 1949

T-27-N. R-10-W. San Juan County

Section 32: NW/4

containing 160.00 acres, more or less.

Record interest of Johnston: all of the above lease, subject
to overriding royalties totaling 5% of total production of oil
and gas.

2. In all other respects, said Oil and Gas Lease Sale
Agreement dated July 6, 1953, as amended hereby, is hereby rati-
fied and confirmed and declared by both Johnston and El Paso to
be in full force and effect as of the date hereof.

IN WITNESS WHEREOF the parties have executed this in-
strument on the day and year first hereinabove stated.

ATTEST:

JOHNSTON OIL AND GAS COMPANY

/s/ Gladys Watford
Secretary
(Corporate Seal)

By /s/ L. C. Oldham, Jr.
Vice President

ATTEST:

EL PASO NATURAL GAS COMPANY

/s/ A. C. Martch
Assistant Secretary
(Corporate Seal)

By /s/ H. E. Steen
Vice President

STATE OF TEXAS)

COUNTY OF HARRIS)

On this 10th day of May, 1954, before me
appeared L. C. Oldham, Jr., to me personally
known, who, being by me duly sworn, did say that he is the Vice

President of JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said I. C. Oldham, Jr. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

6-1-55

(Notarial Seal)

/s/ B. J. Reeme

Notary Public, County of Harris,
State of Texas

STATE OF TEXAS

COUNTY OF EL PASO

On this 22 day of March, 1954, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Else M. Richardson

Notary Public, in and for El Paso
County, Texas

My commission expires June 1, 1955
(Notarial Seal)

/s/ Else M. Richardson

Notary Public, County of El Paso,
State of Texas

AMENDMENT OF OIL AND GAS
LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 1st day of May, 1954, by and between JOHNSTON OIL AND GAS COMPANY, a *Lease Sale* Delaware corporation whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H :

WHEREAS, Johnston and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in Book 16, page 489, of the Official Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Johnston and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated January 4, 1954, so that said Agreement covered and included three (3) additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Johnston and El Paso desire to modify and amend said Agreement so that same will cover and include the lease and tract of land hereinafter described the same as if said lease and tract of land were originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Johnston and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended by that certain Amendment dated January 4, 1954, is hereby modified and amended by the addition of the following lease and tract of land to Exhibit "A" thereof, the same as if said lease and tract of land were originally described in said Oil and Gas Lease Sale Agreement dated July 6, 1953, when executed and delivered and subject to the terms, provisions and conditions thereof:

"Oil and Gas Lease on privately owned lands

Lessors: Clifford A. Kaine and Gladys H. Kaine

Lessee: C. H. Nye

Dated: March 11, 1946

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County, New Mexico

Section 22: E/2 NW/4, NE/4 SW/4, NW/4 SE/4,
and containing 160 acres, more or less.

Record Interest of Johnston: All of the above lease, subject to overriding royalties totaling 12-1/2% of total production of oil and gas.

Recordation Data: Book 3, pages 103-104, of the Official Records of Rio Arriba County, New Mexico, reference to said lease and the record thereof being here made for all purposes.

2. In all other respects, said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended by that certain Amendment dated January 4, 1954, and as amended hereby, is hereby ratified and confirmed and declared by both Johnston and El Paso to be in full force and effect as of the date hereof.

IN WITNESS WHEREOF the parties hereto have executed this instrument on the day and year first hereinabove written.

(SEAL)

ATTEST:

JOHNSTON OIL AND GAS COMPANY

s/ Gladys Watford
Secretary

By s/ L. C. Oldham, Jr.
Vice President

(SEAL)

ATTEST:

EL PASO NATURAL GAS COMPANY

s/ A. C. Martch
Asst. Secretary

By s/ H. F. Steen
Vice President

STATE OF TEXAS :

COUNTY OF HARRIS :

On this 1st day of May, 1954, before me appeared L. C. Oldham, Jr., to me personally known, who, being by me duly sworn, did say that he is the Vice President of JOHNSTON OIL AND GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said L. C. Oldham, Jr. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)

s/ B. J. Reeme
Notary Public in and for
Harris County, Texas.

STATE OF TEXAS :
:
COUNTY OF EL PASO :

On this 22nd day of June, 1954, before me appeared H. F. Steen, to me personally known, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)

s/ Helen Adams
Notary Public in and for
El Paso County, Texas.

FOURTH AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT, made and entered into on this 1st day of March, A.D. 1955, by and between TEXAS NATIONAL PETROLEUM CO., a Delaware corporation (successor to Johnston Oil and Gas Company), whose address is 902 South Coast Life Building, Houston 2, Texas, (hereinafter called "Texas"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Texas' predecessor, Johnston Oil and Gas Company, and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, Page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreement and the record thereof here made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated January 4, 1954 to provide that said agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954 to provide

that said agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated May 1, 1954 to provide that said agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas is the successor corporation of a merger between Johnston Oil and Gas Company and Texam Oil and Gas Co. and Texas has succeeded to all rights, privileges and obligations formerly held by or imposed upon Johnston Oil and Gas Company; and

WHEREAS, Texas and El Paso desire to modify and amend the Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended three times previously, by this Fourth Amendment of Oil and Gas Lease Sale Agreement to amend and modify the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Texas and El Paso have agreed and do agree as follows:

1. The first three lines of Paragraph A of Section 2 of Article III of the original agreement are hereby deleted and, in lieu thereof, the following is substituted:

"Paragraph A. An overriding royalty on Johnston's interest in all gas produced and saved from wells not committed to a unit area located on the subject lands being sold herein and as to wells committed to a unit agreement, an overriding royalty on Johnston's interest in all gas produced and saved (except gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved), from or allocated to leases in units in which the said leases and subject lands have been or hereafter are committed as follows:"

2. Section 2 of Article V of the original agreement is hereby deleted and, in lieu thereof, the following is substituted:

"Section 2 - El Paso agrees to pay to Johnston at Houston, Texas, on or before the twenty-fifth (25th) day of each month, the overriding royalties reserved by Johnston in Paragraphs A and C of Section 2 of Article III herein applicable to the minimum quantities of gas required to be taken by El Paso under the provisions of Section 1 of Article VII herein during the preceding calendar month and the overriding royalties reserved by Johnston under Paragraph D of Section 2 of Article III herein applicable to the gas produced and saved from or allocated to the subject leases during the preceding calendar month. El Paso shall on or before the twenty-fifth (25th) day of February next following

the close of each calendar year submit to Johnston an accounting of the gas produced and saved from or allocated to the subject leases during the preceding calendar year as compared to the minimum quantities required to be taken during such preceding calendar year. If the quantities paid for shall exceed the quantities actually taken, the volume of prepaid gas shall be computed to be recovered as specified in Section 1(b) of Article VII. If the quantities taken shall exceed the quantities paid for, then such excess shall be credited to recovery of any prepaid gas. When all prepaid gas has been recovered by El Paso, payment for quantities taken in excess of the quantities paid for shall be made by El Paso to Johnston concurrently with the accounting. Should El Paso fail to pay any amount due to Johnston as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of six percent (6%) per annum from the due date or dates until the date of payment thereof."

3. Section 1 of Article VII of the original agreement is hereby deleted and, in lieu thereof, the following is substituted:

"Section 1 -

a. El Paso agrees that, as soon as reasonably possible, but not exceeding ninety (90) days after the date of closing herein provided for, it will commence and continue taking gas produced from wells now existing or which may be hereafter completed on the tracts of land covered by leases being sold to it hereunder, and shall take the following minimum quantities of

gas, subject to the ability of the wells to produce said quantities under the rules and regulations of governmental authorities having jurisdiction thereof:

From Mesa Verde and Pictured Cliffs wells:

(1) not committed to a unit agreement, an amount each day equal to twenty-five percent (25%) of aggregate open flow potential of all such wells on an eighty percent (80%) load factor, averaged annually;

(2) committed to a unit agreement, an amount each day equal to the portion of the "total requirements to take gas from the unit", as such term is hereinafter defined, allocated to the leases covered by this agreement, averaged annually.

Whenever the production of gas from any such wells not committed to a unit agreement is subject to proration under regulations or orders of governmental authority having jurisdiction, ninety percent (90%) of the allowable for each such well shall be substituted for the amount specified in subparagraph 1 above as El Paso's requirement to take gas, provided, however, should the allowable assigned to any well exceed that well's actual producing ability, then such actual producing ability shall be substituted for that well's allowable when computing El Paso's requirement to take gas. The term "total requirement to take gas from the unit" as used herein shall be determined on a unit basis by totaling for all wells in the unit, whether or not on the acreage or leases assigned to El Paso by Johnston, ninety percent (90%) of their respective allowables (or when appropriate as provided in the next paragraph hereof either twenty-five percent (25%)

of the aggregate open flow potential on an eighty percent (80%) load factor or the actual producing ability of the well) with the amount so determined being then reduced to Johnston's net unit working interest.

Whenever the production of gas from any wells committed to a unit agreement is not subject to proration, then the total requirement to take gas from the unit shall be computed by obtaining the sum of twenty-five percent (25%) of the aggregate open flow potentials of all such nonprorated unit wells on an eighty percent (80%) load factor, averaged annually. Whenever the production of gas from any wells committed to a unit agreement is subject to proration, the total requirement to take gas from the unit shall be computed by obtaining the total of ninety percent (90%) of the allowables for each well, provided, however, should the allowable assigned to any well exceed that well's actual producing ability, then such actual producing ability shall be substituted for ninety percent (90%) of that well's allowable when computing the total requirement to take gas from the unit.

Gas used in the unit, sold as drilling gas or disposed of in any manner except by pipeline purchase shall not be considered in the computations made under this subparagraph a.

b. El Paso shall not be required under any provisions of this agreement to take or purchase gas from any well at a wellhead working pressure of less than 100 psig. In lieu of taking the minimum quantities of gas required by this Section 1, El Paso may pay to Johnston in cash all amounts which would have

been due to Johnston hereunder had such quantities been taken. Any gas paid for by El Paso but not taken during any year by virtue of the minimum take or pay provisions hereof may be taken by El Paso from the subject lands at any time thereafter out of any production in excess of the minimum quantities above provided for during the period or periods in which such quantities are being made up. Quantities taken during any year in excess of the monthly minimum requirement may be applied against past deficiencies but not against deficiencies which may occur in the future.

In the determination for each well of the monthly minimum quantities to be taken (or paid for whether taken or not) as provided under the provisions of Section 1 of Article VII, such minimum quantities, to the extent production and delivery of gas from such well was not possible because of force majeure or other causes herein specified, shall be reduced in the proportion that the number of days that production was suspended by force majeure or other causes herein specified bears to the number of days within such month. No reduction in allowables for force majeure or other causes herein specified shall be allowed for any period of time in excess of the time necessary to have the inability to produce and deliver remedied with reasonable dispatch.

As to all wells covered hereunder where El Paso is or may hereafter be the operator, El Paso agrees that it will use due diligence of a reasonably prudent operator to manage, operate and produce such wells in a manner which will reduce to a minimum the time during which such wells are unable to produce and deliver the quantities of gas allowed by law.

The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of the government, either federal or state, civil or military, civil disturbances, explosions, breakage or accidents to the lines of pipe used to accomplish delivery hereunder, inability of any party hereto to obtain necessary materials, supplies, or permits, due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both federal and state), including both civil and military, or inability of any purchaser or purchasers of gas from the subject lands to receive gas by reason of force majeure affecting such purchaser or purchasers, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by agreeing to the demands of the opposing party when such course is inadvisable in the sole discretion of the party having the difficulty."

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby modified is ratified, confirmed

and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated.

ATTEST:

Secretary

TEXAS NATIONAL PETROLEUM CO.

By _____
President

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS COMPANY

By _____
Vice President

STATE OF TEXAS }
COUNTY OF HARRIS }

On this _____ day of _____, 1956, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the President of TEXAS NATIONAL PETROLEUM CO., and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires:

Notary Public in and for
Harris County, Texas

STATE OF TEXAS }
COUNTY OF EL PASO }

On this _____ day of _____, 1956, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires:

Notary Public in and for
El Paso County, Texas

AMENDMENT OF OIL AND GAS
LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 1st day of May, 1954, by and between JOHNSTON OIL AND GAS COMPANY, a Lease Sale Delaware corporation whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H :

WHEREAS, Johnston and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in Book 16, page 489, of the Official Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Johnston and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated January 4, 1954, so that said Agreement covered and included three (3) additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Johnston and El Paso desire to modify and amend said Agreement so that same will cover and include the lease and tract of land hereinafter described the same as if said lease and tract of land were originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Johnston and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended by that certain Amendment dated January 4, 1954, is hereby modified and amended by the addition of the following lease and tract of land to Exhibit "A" thereof, the same as if said lease and tract of land were originally described in said Oil and Gas Lease Sale Agreement dated July 6, 1953, when executed and delivered and subject to the terms, provisions and conditions thereof:

"Oil and Gas Lease on privately owned lands

Lessors: Clifford A. Kaime and Gladys H. Kaime

Lessee: C. H. Nye

Dated: March 11, 1946

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County, New Mexico

Section 22: E/2 NW/4, NE/4 SW/4, NW/4 SE/4,

and containing 160 acres, more or less.

Record Interest of Johnston: All of the above lease, subject to overriding royalties totaling 12-1/2% of total production of oil and gas.

Recordation Data: Book 3, pages 103-104, of the Official Records of Rio Arriba County, New Mexico, reference to said lease and the record thereof being here made for all purposes."

2. In all other respects, said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended by that certain Amendment dated January 4, 1954, and as amended hereby, is hereby ratified and confirmed and declared by both Johnston and El Paso to be in full force and effect as of the date hereof.

IN WITNESS WHEREOF the parties hereto have executed this instrument on the day and year first hereinabove written.

(SEAL)
ATTEST: _____ JOHNSTON OIL AND GAS COMPANY

s/ Gladys Watford _____ By s/ L. C. Oldham, Jr. _____
Secretary Vice President

(SEAL)
ATTEST: _____ EL PASO NATURAL GAS COMPANY

s/ A. C. Martch _____ By s/ H. F. Steen _____
Asst. Secretary Vice President

STATE OF TEXAS :
:
COUNTY OF HARRIS :

On this 1st day of May, 1954, before me appeared L. C. Oldham, Jr _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of JOHNSTON OIL AND GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said L. C. Oldham, Jr. _____ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)
s/ B. J. Reeme _____
Notary Public in and for
Harris County, Texas.

STATE OF TEXAS :
:
COUNTY OF EL PASO :

On this 22nd day of June, 1954, before me appeared H. F. Steen, to me personally known, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)

s/ Helen Adams
Notary Public in and for
El Paso County, Texas.

Amendment #2

No. 2

2/24/54

AMENDMENT OF

OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 24th day of February, 1954, by and between JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

Faint

WITNESSETH:

WHEREAS, Johnston and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in Book 16, Page 489 of the official records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Johnston and El Paso desire to modify and amend said Agreement so that same will cover and include one (1) lease and tract of land hereinafter described the same as if said one (1) lease and tract was originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Johnston and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953 is hereby modified and amended by the addition of the

following one (1) lease and tract of land to Exhibit "A" there-
of the same as if said one (1) lease and tract was originally
described in said Oil and Gas Lease Sale Agreement dated July
6, 1953, when executed and delivered and subject to the terms,
provisions and conditions thereof:

Oil and Gas Lease, State of New Mexico

E-2659 Lessee: Clinton C. Seymour Dated: May 10, 1949

T-27-N. R-10-W. San Juan County

Section 32: NW/4

containing 160.00 acres, more or less.

Record interest of Johnston: all of the above lease, subject
to overriding royalties totaling 5% of total production of oil
and gas.

2. In all other respects, said Oil and Gas Lease Sale
Agreement dated July 6, 1953, as amended hereby, is hereby rati-
fied and confirmed and declared by both Johnston and El Paso to
be in full force and effect as of the date hereof.

IN WITNESS WHEREOF the parties have executed this in-
strument on the day and year first hereinabove stated.

ATTEST:

JOHNSTON OIL AND GAS COMPANY

/s/ Gladys Watford
Secretary
(Corporate Seal)

By /s/ L. C. Oldham, Jr.
Vice President

ATTEST:

EL PASO NATURAL GAS COMPANY

/s/ A. C. Martch
Assistant Secretary
(Corporate Seal)

By /s/ H. F. Steen
Vice President

STATE OF TEXAS)
)
COUNTY OF HARRIS)

On this 10th day of May, 1954, before me
appeared L. C. Oldham, Jr., to me personally
known, who, being by me duly sworn, did say that he is the Vice

President of JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said L. C. Oldham, Jr. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires: 6-1-55 /s/ B. J. Reeme
Notary Public, County of Harris,
State of Texas
(Notarial Seal)

STATE OF TEXAS)
COUNTY OF EL PASO)

On this 22 day of March, 1954, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

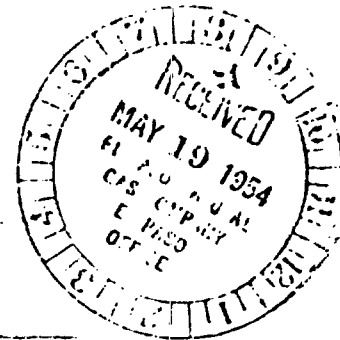
My commission expires: /s/ Else M. Richardson
Notary Public, County of El Paso,
State of Texas
Else M. Richardson
Notary Public, in and for El Paso
County, Texas
My commission expires June 1, 1955
(Notarial Seal)

El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

El Paso, Texas

January 27, 1954



Johnston Oil & Gas Company
1453 Esperson Building
Houston 2, Texas

—Re: Oil & Gas Lease Sale Agreement
July 6, 1953

Gentlemen:

In connection with the above agreement between
Johnston Oil & Gas Company
and El Paso Natural Gas Company, reference is made to that portion covering the
sale of liquid hydrocarbons.

This is to notify you that the El Paso Natural Gas Company has entered
into an agreement with the Standard Oil Company of California for the total out-
put of natural gasoline less any quantities El Paso Natural Gas Company may be
obligated to deliver in kind to any party or parties selling or supplying natural
gas for processing in the El Paso Natural Gas Company's Wingate Plant.

This contract will cover a period beginning April 1, 1954, and ending
March 31, 1955. The price is based on 1/2¢ per gallon under the average Los
Angeles Basin postings for natural gasoline of Standard of California less an
amount equal to the carload freight rate (including tax) from Zuni, New Mexico
to El Segundo, California existing at time of shipment. The price today is
6.96 net F.O.B. El Paso Natural Gas Company's Wingate Plant for 18 pound gaso-
line.

In accordance with the terms and conditions of our contract, we are
giving you notice so that you shall elect, within thirty (30) days, either to
join in such contract or to take in kind your share of the product.

As El Paso wishes to firm the sale of the entire production of gaso-
line, and Standard Oil of California wishes to make firm purchase of the entire
quantity of gasoline, your approval of the contract term would be appreciated.

Johnston Oil & Gas Company
Page 2

If the above terms meet with your approval, please sign below and return two copies for our files.

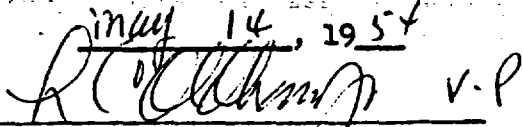
Very truly yours,

EL PASO NATURAL GAS COMPANY

By


Vice President

AGREED TO AND ACCEPTED:

May 14, 1954
 v.p.
Johnston Oil & Gas Company

Will join Standard Contract

AMENDMENT OF

OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 4th day of January, 1954, by and between JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, whose address is 1453 Esperson Building, Houston, Texas (hereinafter called "Johnston"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Johnston and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in Book 16, Page 489 of the official records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Johnston and El Paso desire to modify and amend said Agreement so that same will cover and include three (3) leases and tracts of land hereinafter described the same as if said three (3) leases and tracts were originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Johnston and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953 is hereby modified and amended by the addition of the following three (3) leases and tracts of land to Exhibit "A" thereof the same as if said three (3) leases and tracts were originally described in said Oil and Gas Lease Sale Agreement dated July 6, 1953, when executed and delivered and subject to the terms, provisions and conditions thereof:

"Federal Oil and Gas Leases Situated in New Mexico

Santa Fe 079360 Lessee: M. A. Romero Dated: October 1, 1948

T 27 N, R 7 W, Rio Arriba County

Section 15: E/2

Section 22: NE/4

Section 23: N/2

containing 800 acres, more or less.

Record interest of Johnston: all of the above lease, subject to overriding royalties totalling 5% of total production of oil and gas.

Oil and Gas Leases, State Lands of New Mexico

E-6443 Lessee: A. E. Cathey Dated: August 14, 1952

T 27 N, R 6 W, Rio Arriba County

Section 16: NE/4 SE/4

containing 40 acres, more or less.

Record interest of Johnston: all of the above lease, subject to overriding royalties totalling 5% of total production of oil and gas.

E-290 Lessee: Levi A. Hughes Dated: May 2, 1945

T 27 N, R 6 W, Rio Arriba County

Section 16: W/2, W/2 SE/4, SE/4 SE/4

containing 440 acres, more or less.

Record interest of Johnston: all of above lease, subject to overriding royalties totalling 10% of total production of oil and gas."

2. It is understood and agreed by and between Johnston and El Paso that the interest of Johnston in:

T 27 N. R 6 W. Rio Arriba County
Section 32: W/2 NE/4, SE/4 SW/4

T 27 N. R 7 W. Rio Arriba County
Section 36: E/2 SE/4,

said lands being a portion of Tract No. 27 in said Exhibit "A", is the full working interest, and that none of the lands comprising the said Tract No. 27 are subject to overriding royalties; and said Exhibit "A" is hereby amended to reflect the correct interest of Johnston in said lands described in this paragraph.

3. In all other respects, said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended hereby, is hereby ratified and confirmed and declared by both Johnston and El Paso to be in full force and effect as of the date hereof.

IN WITNESS WHEREOF the parties have executed this instrument on the day and year first hereinabove stated.

(Seal)
ATTEST:

/s/ Alfred E. McLane
Asst. Secretary

JOHNSTON OIL AND GAS COMPANY

By /s/ L. C. Oldham, Jr.
Vice President

(Seal)
ATTEST:

/s/ R. J. Crowley
Asst. Secretary

EL PASO NATURAL GAS COMPANY

By /s/ H. F. Steen

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 4th day of January, 1954, before me appeared L. C. OLDHAM, JR., to me personally known, who, being by me duly

sworn, did say that he is the Vice President of JOHNSTON OIL AND GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said L. C. OLDHAM, JR. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal)

My commission expires
June 1, 1955.

/s/ Barbara Malloy
Notary Public in and for
Dallas County, Texas

STATE OF TEXAS)
)
COUNTY OF DALLAS)

On this 4th day of January, 1954, before me appeared H. F. Steen, to me personally known, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Seal)

My Commission Expires
June 1, 1955.

/s/ Barbara Malloy
Notary Public

January 4, 1954

El Paso Natural Gas Company
 Post Office Box 1492
 El Paso, Texas

Gentlemen:

In connection with our delivery to you on this date of numerous Assignments of United States Oil and Gas Leases and State of New Mexico Leases covering lands in Rio Arriba and San Juan Counties, New Mexico, under and pursuant to the terms and provisions of our Oil and Gas Lease Sale Agreement dated July 6, 1953, it is contemplated that you will take over and assume the operation of various gas wells situated on said leases and lands, all of which wells and the location thereof are set forth in that certain Bill of Sale dated January 4, 1954 delivered to you today.

In the case of United States Oil and Gas Leases on public Domain, it is understood and agreed that you may take over and assume the operation of gas wells located on same prior to the filing of your instruments of Assignment and the substituting of your bonds for those of ours which may be in effect.

In this regard, you agree to indemnify and hold us harmless from and against all claims, damages, suits and liabilities that may arise out of or result from the acts or omissions of your servants, agents, employees, officers or representatives in the operation of said wells.

If this letter meets with your approval and acceptance, please indicate the same below and return three executed copies to us for our files.

Yours very truly,

JOHNSTON OIL AND GAS COMPANY

By *[Signature]*

APPROVED AND ACCEPTED
 this 4th day of January, 1954.

EL PASO NATURAL GAS COMPANY

By *[Signature]*

January 4, 1954

El Paso Natural Gas Company
Bassett Tower
El Paso, Texas

Re: Rincon Lease Sale

Gentlemen:

Contemporaneously with the execution of this letter agreement, we are closing with you the sale of those certain oil and gas leasehold interests more particularly described in that certain Oil and Gas Lease Sale Agreement between our companies dated July 6, 1953, covering lands situated in Rio Arriba and San Juan Counties, New Mexico.

One of the wells which we are selling to you under the terms of the said Agreement is known as the Rincon Unit No. 23 Well and is located in the SW/4 of Section 35, Township 27 North, Range 7 West, N.M.P.M. Such well is now being drilled and is to be completed in the Mesaverde Formation. As to such well, it is hereby agreed that notwithstanding the provisions of Article IV of our said Agreement we shall complete such well at our risk and expense, and upon completion of the same we agree to deliver such well to you and you agree to pay to us promptly thereafter the sum of \$90,000.00 in cash therefor, provided, however, that you shall not be obligated to purchase such well and pay to us the said \$90,000.00 in cash unless such well shall be completed in the Mesaverde Formation and shall have an open flow potential of at least 500 MCF of gas per day.

Another of the wells which we are selling to you today under the terms of our said Agreement with you is known as the Rincon Unit No. 21 Well and is located in the SW/4 of Section 16, Township 27 North, Range 6 West, N.M.P.M.

El Paso Natural Gas Company

Page 2
1-4-54

It is agreed that such well has been tested and conforms to the requirements of our said Agreement as to open flow potential, but that such well has not been completed and cannot be completed until you have laid a gas line to connect it with your gathering system in that area. You are paying to us as a part of the closing transaction the sum of \$90,000.00 in cash, representing the full purchase price for such well, but we agree that when you shall have laid a gas line to such well for the purpose of connecting it to your gathering system, we will either complete such well at our cost and expense, or you may complete the same for our account.

If the foregoing conforms to your understanding of this supplemental agreement, please execute a copy of this letter in the space provided below and return it to us, whereupon it will constitute a binding contract between us.

Yours very truly,

JOHNSTON OIL AND GAS COMPANY

By /s/ Ralph A. Johnston
President

ACCEPTED AND AGREED TO:

EL PASO NATURAL GAS COMPANY

By /s/ H. F. Steen
Vice President

**FIFTH AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT**

THIS AMENDMENT, entered into the 9TH day of NOVEMBER, A.D., 1956, by and between TEXAS NATIONAL PETROLEUM COMPANY, a Delaware corporation (successor to Johnston Oil and Gas Company), whose address is 902 South Coast Life Building, Houston 2, Texas, (hereinafter called "Texas"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Texas' predecessor, Johnston Oil and Gas Company, and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, Page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreement and the record thereof is hereby made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated January 4, 1954, to provide that said agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954, to provide that said agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated May 1, 1954, to provide that said agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Texas and El Paso modified and amended said agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, to provide that the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas for deficiencies in volumes taken and provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso;

WHEREAS, Texas and El Paso desire to modify and amend said agreement so that it will cover and include the lease and tract of land hereinafter described the same as if said lease and tract of land were originally incorporated in Exhibit "A" to said agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Texas and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended by those certain amendments dated January 4, 1954, February 24, 1954, May 1, 1954, and March 1, 1955, is hereby modified and amended by the addition of the following lease and tract of land to Exhibit "A" thereof, the same as if said lease and tract of land were originally described in said Oil and Gas Lease Sale Agreement dated July 6, 1953, when executed and delivered and subject to the terms, provisions and conditions thereof:

Oil and Gas Lease, State of New Mexico
E-2659-4, Original Lessee: Clinton C.
Seymour, dated May 10, 1949

Township 27 North, Range 10 West, San Juan County
Section 32: SW/4
Containing 160.00 acres, more or less

Record interest of Texas in the above lease is only subject to overriding royalties totaling five percent (5%) of total production of oil and gas.

2. In all other respects, said Oil and Gas Lease Sale Agreement as heretofore and hereby modified is ratified, confirmed and declared to be in full force and effect.

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

ATTEST:

Mildred E. Daugherty
Asst. Secretary

TEXAS NATIONAL PETROLEUM COMPANY

By R. C. Oldham
Vice President

ATTEST:

J. C. Martch
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By H. F. Davis
Vice President

STATE OF TEXAS
COUNTY OF HARRIS

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||
||

On this 13th day of December, 1956, before me appeared L.C. Oldham, Jr., to me personally known, who, being by me duly sworn did say that he is the Vice President of TEXAS NATIONAL PETROLEUM COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said L.C. Oldham, Jr. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

June 1, 1957

Rosemary Scott
Notary Public in and for Harris County,
State of Texas. ROSEMARY SCOTT
Notary Public, Harris County, Texas

STATE OF TEXAS
COUNTY OF EL PASO

||
||
||

On this 9 day of November, 1956, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

MARTHA B. IVEY,

Notary Public, in and for El Paso County, Texas

My commission expires June 1, 1957

Martha B. Ivey
Notary Public in and for El Paso
County, State of Texas.

SIXTH AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT, made and entered into on this 17th day of July, A. D. 1958, by and between TEXAS NATIONAL PETROLEUM CO., a Delaware corporation (successor to Johnston Oil and Gas Company), whose address is 902 South Coast Life Building, Houston 2, Texas, (hereinafter called "Texas"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Texas' predecessor, Johnston Oil and Gas Company, and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, Page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated January 4, 1954, to provide that said Agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954, to provide

that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified ~~and amended~~ said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated May 1, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas is the successor corporation of a merger between Johnston Oil and Gas Company and Texam Oil and Gas Co. and Texas has succeeded to all rights, privileges and obligations formerly held by or imposed upon Johnston Oil and Gas Company; and

WHEREAS, Texas and El Paso modified and amended said Agreement by that certain Fourth Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Texas and El Paso modified and amended said Agreement by that certain Fifth Amendment of Oil and Gas Lease Sale Agreement dated November 9, 1956, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas and El Paso desire to modify and amend the Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended five

times previously, by this Sixth Amendment Oil and Gas Lease Sale Agreement to (1) provide for the sale by Texas to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso therein to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on subject lands, and (4) delete all "take-or-pay" provisions contained therein and substitute in lieu thereof El Paso's obligation to connect each commercial gas well drilled and completed on the subject land;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Texas and El Paso have agreed and do agree as follows:

1. Texas agrees to sell and deliver, and El Paso agrees to take and pay for all of Texas' interest in one (1) gas well, described as the Rincon Unit #84, producing from the Mesaverde Formation lying in and under the NE/4 of Section 26, Township 27 North, Range 7 West, N.M.P.M., together with the well structure, casing, fittings, appurtenances and personal property located on the premises and attached to or used in connection with such well. Texas and El Paso agree that the gas produced from said well is hereby subjected to the terms of the Oil and Gas Lease Sale Agreement dated July 6, 1953, as heretofore amended.

El Paso shall pay to Texas in cash an amount equal to Eighty-five Thousand Dollars (\$85,000.00) for the well; provided, however, if Texas does not own all of the well, the purchase price shall be

reduced proportionately. Texas shall execute such instruments as shall be necessary to transfer Texas' interest in said well to El Paso, and El Paso shall make payment of the cash consideration therefor at El Paso, Texas, on August 1, 1958, or at such other time and place as may be agreed upon by the parties, it being understood, however, that notwithstanding such date, El Paso shall be responsible for all costs and shall own all production from such well beginning July 1, 1958.

Texas will make and prosecute any applications required by the Federal Power Commission to permit (1) the termination of Gas Purchase Contract dated January 22, 1958, between Texas National Petroleum Co. and El Paso Natural Gas Company, by the terms of which El Paso is purchasing the gas produced from the Rincon Unit No. 84 Well, and (2) the sale of such well to El Paso.

2. Sections 4, 12, 13 and 14 of Article I of the original Agreement are hereby deleted, and in lieu thereof, the following is substituted:

"Section 4. The term 'gas' shall mean natural gas, casinghead gas and all contents thereof not included within the definition of oil set forth in Section 14. below.

"Section 12. The term 'gas well' shall mean any well which is or would be classified as a gas well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

"Section 13. The term 'oil well' shall mean any well which is or would be classified as an oil well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

"Section 14. The term 'oil' shall mean crude oil and liquid hydrocarbons having a gravity of 50 or less degrees A.P.I. which exist in a liquid phase in a reservoir and which can be recovered at the well by use of conventional separators and in a manner consistent with usual and ordinary oil and gas field production practices."

3. Paragraph A. of Section 2. of Article III of the original Agreement as heretofore amended by the said Fourth Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, is hereby deleted, and, in lieu thereof, the following is substituted:

"Paragraph A.1. An overriding royalty on Johnston's interest in all gas produced and saved from gas wells not committed to a unit area located on the subject lands being sold herein and, as to gas wells committed to a unit agreement, an overriding royalty on Johnston's interest in all gas produced and saved (except gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved), from unit land and allocated to subject lands in units in which said leases and subject lands have been or hereafter are committed as follows:

- "(1) 5¢ per mcf on all gas produced and saved during the period beginning January 4, 1954, and ending May 1, 1957.
- "(2) 6¢ per mcf on all such gas produced and saved during the period beginning May 1, 1957, and ending September 1, 1960.
- "(3) 7¢ per mcf on all such gas produced and saved during the period beginning September 1, 1960, and ending January 1, 1964.
- "(4) 8¢ per mcf on all such gas produced and saved during the period beginning January 1, 1964, and ending January 1, 1965.

- "(5) 9¢ per mcf on all such gas produced and saved during the period beginning January 1, 1965, and ending January 1, 1968.
- "(6) 10¢ per mcf on all such gas produced and saved during the period beginning January 1, 1968, and ending January 1, 1969.
- "(7) Not less than 10¢ per mcf on all such gas produced and saved after January 1, 1969.

"2. An overriding royalty on Johnston's interest in all casinghead gas produced and saved from oil wells not committed to a unit area on the subject lands being sold herein and, as to oil wells committed to a unit agreement, an overriding royalty on Johnston's interest in all casinghead gas produced and saved (except casinghead gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved) from or allocated to leases in units in which the said leases and subject lands have been or hereafter are committed, free and clear of all development and operating costs but subject to their share of mineral ad valorem taxes and taxes on, and measured by such production, as follows:

"(1) Above the top of the Dakota Formation:

"An overriding royalty in the amount of 33-1/3 per cent.

"(2) Below the top of the Dakota Formation:

"An overriding royalty of 25 per cent.

"El Paso shall make payment to Johnston for all casinghead gas produced and saved from the leases being sold herein applicable to Johnston's net interest therein based on the market value at the wellhead of such casinghead gas as provided in El Paso's contracts with other producers for the purchase of casinghead gas from the

same formation. Payment for all such casinghead gas produced from the Gallup Formation lying in and under subject lands shall be based on the provisions of El Paso's standard contract for the purchase of casinghead gas produced in the Bisti area of New Mexico (a copy of which contract Johnston by the execution of this Agreement acknowledges receipt).

"3. The overriding royalties payable under 1 and 2 of this Paragraph A shall be determined from volumes of gas computed as provided in Paragraph B. of this Article III and shall be in addition to the overriding royalty on extracted liquids described in Paragraph D. of this Article III."

4. The words "but subject to the provisions of Sections 3 and" appearing in lines eight and nine of Paragraph G of Section 2 of Article III of the original Agreement are hereby deleted, and, in lieu thereof, the following is substituted:

"but subject to the provisions of Section"

5. Section 2 of Article V of the original Agreement as heretofore amended by the said Fourth Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, is hereby deleted, and in lieu thereof, the following is substituted:

"El Paso agrees to pay to Johnston at Houston, Texas, on or before the twenty-fifth day of each month, the overriding royalties reserved by Johnston herein applicable to gas produced and saved from or allocated to the subject land during the preceding calendar month. Should El Paso fail to pay any such amount due to Johnston as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of 6 per cent per annum from the due date or dates until the date of payment thereof."

6. The words "and in such deeper formations in which El Paso may operate hereunder" appearing in lines ten and eleven of Section 1 of Article VI of the original Agreement are hereby deleted.

7. Section 3 of Article VI of the original Agreement is hereby deleted, and Section 4 of Article VI is renumbered "Section 3."

8. The last sentence of Section 4 of Article VI of the original Agreement is hereby deleted.

9. Article VII of the original Agreement is hereby amended by deleting the word "MINIMUM" from the title thereof.

10. Section 1. of Article VII of the original Agreement is hereby deleted and, in lieu thereof, the following is substituted:

"Section 1.

"a. El Paso agrees that, as soon as reasonably possible, but not exceeding forty-five (45) days after the date of completion of each commercial gas well hereafter drilled and completed on the subject lands covered by leases sold to it hereunder, it will connect such well to its gas gathering system and commence and continue taking gas produced therefrom on a ratable basis with all other wells connected to El Paso's pipelines which are producing from the same pool as said well on subject lands. The term 'date of completion' as used herein shall mean the date on which the deliverability test required by the State of New Mexico as to any gas well is finished. Any period of time during which adverse weather conditions or inability to acquire right-of-way shall prevent El Paso from working upon such connection shall be added to the forty-five (45) days for making well connections.

"b. Failing to connect any commercial gas well on subject lands within the time required by Section 1. a. of this Article, El Paso shall pay to Johnston the sum of Two Hundred and Fifty Dollars (\$250.00) for each month or fraction thereof in excess of forty-five (45) days during which such well is not connected as liquidated damages resulting to Johnston by reason of such failure; provided, that in any instance where Johnston does not own all of a particular well, the payment shall be reduced proportionately."

11. The second sentence of Section 1 of Article XIV of the original Agreement is hereby deleted.

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated to become effective June 30, 1958.

ATTEST:

[Signature]
Secretary

TEXAS NATIONAL PETROLEUM CO.

By: *William Boyle*
President

ATTEST:

Wayne S Gerber
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: *Fred J. Wagner*
Vice President *BRH*

THE STATE OF TEXAS |
COUNTY OF HARRIS |

The foregoing instrument was acknowledged before me this 29
day of July, 1958, by W. Stewart Beyle,
President of TEXAS NATIONAL PETROLEUM CO., a Delaware corpora-
tion, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:

6-6-59

Wynell Wood
Notary Public in and for Harris
County, Texas

THE STATE OF TEXAS |
COUNTY OF EL PASO - |

The foregoing instrument was acknowledged before me this 26th
day of July, 1958, by Fred J. Wagner,
Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corpora-
tion, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:

June 30, 1959

Madeline W. Munas
Notary Public in and for El Paso
County, Texas

MADELANE W. MUNAS
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

El Paso Natural Gas Company

El Paso, Texas

March 9, 1959

~~Amendment #7 to GLA 76~~

~~Amendment #4 to GLA 77~~

Amendment #1 to GLA 348

Amendment #1 to GLA 350

Texas National Petroleum Company
902 South Coast Building
Houston 2, Texas

Mr. R. E. Beamon
1303 Esperson Building
Houston 2, Texas

Gentlemen:

This letter, when accepted by you in the space provided below, will constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 6, 1953, as previously amended, which agreements are recorded respectively in Book 16, Page 489, and Book 21, Pages 57-70 of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements, as amended, and the record thereof is here made for all purposes.

This letter will also constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, which agreements are recorded respectively in Book _____, Page _____, and Book _____, Page _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements and the record thereof is here made for all purposes.

You agree that the Pictured Cliffs and Mesaverde development obligations imposed upon El Paso Natural Gas Company under the aforesaid Oil and Gas Lease Sale Agreements dated July 6, 1953, as amended, are extended from July 4, 1961 and August 8, 1961 until December 31, 1962. You grant this extension of time in consideration for our agreeing to drill on the lands subject to said agreements, eight (8) wells during the calendar year 1959 to test the Dakota Formation (which wells may be dually completed in shallower producing sands).

Texas National Petroleum Company
Mr. R. E. Beamon

-2-

March 9, 1959

We agree that the development obligations imposed upon us under the aforesaid Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, are shortened by one year, or until July 1, 1960.

It is understood that in all other respects, the above described Oil and Gas Lease Sale Agreements as heretofore amended, and as herein modified, will remain unchanged and in full force and effect.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Arnold F. Howell
Attorney in Fact

ACCEPTED AND APPROVED THIS 27

DAY OF May, 1959.

TEXAS NATIONAL PETROLEUM COMPANY

By L. C. Williams Jr.
Vice President

EL PASO NATURAL GAS PRODUCTS COMPANY

By Roland L. Hamilton ED

ACCEPTED AND APPROVED THIS 20th

DAY OF July, 1959.

R. E. Beamon
R. E. BEAMON

El Paso Natural Gas Company

El Paso, Texas

May 26, 1959

Texas National Petroleum Co.
902 South Coast Life Building
Houston 2, Texas

File - 61A-76
Texas Nat'l Petrol

Attention of Mr. L. C. Oldham, Vice President

Gentlemen:

In Re: Penalty Payments
Oil and Gas Lease Sale Agreement
dated July 6, 1953, as amended
Johnston Oil and Gas Company -
El Paso Natural Gas Company
Rio Arriba and San Juan Counties,
New Mexico

El Paso Natural Gas Company agrees, by the signing of this letter, that up to and including December 31, 1958, it incurred penalties in favor of Texas National Petroleum Co. of \$2,916.84 for delays in connecting gas wells in the time specified in Section 1 of Article VII of Oil and Gas Lease Sale Agreement dated July 6, 1953, as heretofore amended six times. We are enclosing our check No. 24324 for that amount.

If this letter correctly sets forth your understanding of this matter, your acceptance in the space provided below will indicate your agreement that our check is accepted as full satisfaction of all penalty payments due you under the terms of the penalty provision mentioned above for the period of time specified. Please return one copy of this letter for our file.

Very truly yours,

EL PASO NATURAL GAS COMPANY

Ben R. Howell
Ben R. Howell

DEH:LRD:mlr
Enclosure

AGREED TO AND ACCEPTED this 15
day of May, 1959.

TEXAS NATIONAL PETROLEUM CO.

By: *L. C. Oldham*

vice President

COPY

544-76

EIGHTH AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT, made and entered into on this 18th day of September, A. D., 1959, by and between TEXAS NATIONAL PETORLEUM CO., a Delaware Corporation (successor to Johnston Oil and Gas Company), whose address is 902 South Coast Life Building, Houston 2, Texas, (hereinafter called "Texas"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso");

W I T N E S S E T H:

WHEREAS, Texas' predecessor Johnston Oil and Gas Company, and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, Page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated January 4, 1954, to provide that said Agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement by that certain

Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated May 1, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas is the successor corporation of a merger between Johnston Oil and Gas Company and Texam Oil and Gas Co., and Texas has succeeded to all rights, privileges and obligations formerly held or imposed upon Johnston Oil and Gas Company; and

WHEREAS, Texas and El Paso modified and amended said Agreement by that certain Fourth Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Texas and El Paso modified and amended said Agreement by that certain Fifth Amendment of Oil and Gas Lease Sale Agreement dated November 9, 1956, to provide that

said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Texas and El Paso modified and amended said Agreement by that certain Sixth Amendment of Oil and Gas Lease Sale Agreement dated July 29, 1958, to (1) provide for the sale by Texas to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement, and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, said Texas and El Paso modified and amended said Agreement by that certain Seventh Amendment of Oil and Gas Lease Sale Agreement dated March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Texas and El Paso desire to amend and modify the Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended seven times previously, by this Eighth Amendment of

Oil and Gas Lease Sale Agreement to (1) redefine the term "date of completion" as the same appears in Section 1. a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, and (4) provide for the treatment of a well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for failure to connect each commercial gas well drilled and completed on lands covered by said Agreement;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Texas and El Paso have agreed and do agree as follows:

1. Section 1. a. of Article VII of the original Agreement, as heretofore amended and/or modified, is hereby amended and modified, as follows:

a. The word "deliverability" is deleted from the second sentence of the first paragraph thereof and there is substituted, in lieu thereof, the words "initial potential."

b. The following paragraphs are added after the first paragraph thereof:

"It is agreed by Texas and El Paso that El Paso has the right to workover any well or wells covered by this Agreement which in El Paso's sole judgment may require such treatment. El Paso shall not be obligated

to take gas from any such well or wells during the period of time workover operations are being conducted.

The term "date of completion," when applied to a well drilled and completed as a dual well under the terms of this Agreement, shall mean the date on which the initial potential test required by the State of New Mexico as to any gas well is finished as to the zone or horizon in which the well was last completed."

2. Section 1. b. of Article VII of the original Agreement, as heretofore amended and/or modified, is hereby amended by deleting the period appearing at the end of the first paragraph thereof and adding to the paragraph the following:

"; and, provided further, that for purposes of this Section 1. b. any well drilled and completed as a dual well under the terms of this Agreement shall be considered as two wells."

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby amended and modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove to become effective January 1, 1959.

ATTEST:

E. Anderson
Secretary

TEXAS NATIONAL PETROLEUM CO.

By: W. Stewart Bayle
President

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: B. P. Howell
~~Vice President~~
ATTORNEY-IN-FACT

THE STATE OF TEXAS.

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 18th day of September, 1959, by W. Stewart Bayle, President of TEXAS NATIONAL PETROLEUM CO., a Delaware corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

Daisy F. Kinard
Notary Public in and for
Harris County, Texas

My Commission Expires:

6-1-61

THE STATE OF TEXAS

COUNTY OF EL PASO

The foregoing instrument was acknowledged before me this 26 day of October, 1959, by B. P. Howell, ~~Vice President~~ ATTORNEY-IN-FACT of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

M. B. Ivey
Notary Public in and for
El Paso County, Texas

My Commission Expires:

M. B. IVEY

Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1961

AMENDMENT TO OIL AND GAS LEASE SALE AGREEMENTS
Dated July 6, 1953

Amendment No. 9 to GLA-76 ✓
Amendment No. 6 to GLA-77

THIS AGREEMENT, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"); and TEXAS NATIONAL PETROLEUM COMPANY, a Delaware corporation, whose address is 902 South Coast Building, Houston 2, Texas, (hereinafter referred to as "Texas National"); and ROBERT BEAMON, Independent Executor of the Will and Estate of R. E. Beamon, deceased, successor to the interests of R. E. Beamon, whose address is 1303 Esperson Building, Houston 2, Texas, (hereinafter referred to as "Executor of the Estate of R. E. Beamon, deceased"); A. V. JONES, whose address is Post Office Box 787, Albany, Texas (hereinafter referred to as "Jones"); W. C. McMAHAN, whose address is Post Office Box 631, Houston 1, Texas (hereinafter referred to as "McMahan"); and HOMER R. STASNEY, whose address is Post Office Box 307, Albany, Texas, (hereinafter referred to as "Stasney");

W I T N E S S E T H :

WHEREAS, Johnston Oil and Gas Company and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on January 4, 1954, to provide

that said Agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on May 1, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas National is the surviving corporation of a merger between Johnston Oil and Gas Company and Texam Oil and Gas Company, and Texas National has succeeded to all rights, privileges and obligations formerly held or imposed upon Johnston Oil and Gas Company; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on May 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas National for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on November 9, 1956, to provide that said Agreement

covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on July 29, 1958, to (1) provide for the sale by Texas National to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement, and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on September 18, 1959, to (1) redefine the term "date of completion" as the same appears in Section 1.a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, and (4) provide for the treatment of a well drilled

and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for failure to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, R. E. Beamon and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 21, pages 57-70, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on March 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Beamon for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on August 5, 1958, to (1) provide for the sale by Beamon to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement,

and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Beamon and El Paso modified and amended said Agreement on September 8, 1959, to (1) redefine the term "date of completion," as the same appears in Section 1.a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, (4) provide for the treatment of a well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, R. E. Beamon died April 24, 1961, and Robert Beamon is the duly appointed and qualified Independent Executor of the Will and Estate of R. E. Beamon, deceased, and has succeeded to all rights of R. E. Beamon, deceased, in said contracts, and has full authority to enter into this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter stipulated and covenanted to be kept and performed by the parties hereto and in further consideration of the

sum of Fifty Thousand Dollars (\$50,000.00) to Texas National, Seven Thousand Seven Hundred Ninety-three Dollars (\$7,793.00) to the Executor of the Estate of R. E. Beamon, deceased; One Thousand Six Hundred Ninety-five Dollars (\$1,695.00) jointly to Jones, McMahan and Stasney, cash in hand paid by El Paso, the receipt whereof is hereby confessed and acknowledged, Section 2 of Article VI of the agreements hereinafter referred to as Oil and Gas Lease Sale Agreements, is hereby modified and amended to read as follows:

2. Subsequent to the closing and assignment to El Paso of said leases the parties, by mutual agreement, divided the subject lands into drilling units containing approximately 320 acres for Mesaverde wells and 160 acres for Pictured Cliffs wells. A portion of the subject lands has been committed to the Rincon Unit Agreement, which is a conventional type Federal unit providing for determination of participating areas by geological inference and substantially all the remaining lands have been committed to the San Juan 28-6 Unit Agreement, which is a "drilling block" type unit agreement providing for inclusion of drilling blocks containing approximately 320 producing acres within the participating area for the producing formation. Any subject lands that are undeveloped as of June 1, 1961, (by drilling a well to the Mesaverde Formation on a 320-acre drilling unit and by drilling a well to the Pictured Cliffs Formation on a 160-acre drilling unit) shall be developed or reassigned as follows:

a) El Paso agrees to drill to the Pictured Cliffs Formation twelve (12) wells on subject acreage or on acreage pooled with subject acreage prior to December 31, 1962.

b) As to any undeveloped Mesaverde drilling unit lying within the Rincon Unit admitted to the Rincon Unit Mesaverde Participating Area on or before December 31, 1962, the drilling unit shall be considered as developed acreage in the same manner as if a Mesaverde well had been drilled thereon; and as to any undeveloped Mesaverde drilling unit lying outside the Rincon Unit, El Paso shall drill a well to the Mesaverde Formation on each such Mesaverde drilling unit prior to December 31, 1962, or shall reassign as their interests may appear, upon request of Texas National and/or the Executor of the Estate of R. E.

Beamon, deceased, all El Paso's gas operating rights in and to such drilling unit, retaining any commercial gas well completed thereon in a shallower or deeper formation and the gas operating rights in the producing formation; and

c) Any undeveloped Pictured Cliffs drilling unit which is included in the San Juan 28-6, San Juan 28-7, Huerfano, Canyon Largo or Rincon Unit Pictured Cliffs Participating Areas on or before December 31, 1962, shall be considered as developed acreage in the same manner as if a Pictured Cliffs well had been drilled thereon, provided that a direct commercial offset Pictured Cliffs gas well drilled after June 1, 1961, upon the perimeter acreage as hereinafter described shall require El Paso to drill or reassign as hereinafter specified.

El Paso agrees to protect against offset drilling on perimeter acreage, which immediately adjoins portions of the subject acreage and which is described as follows, to wit:

Township 27 North, Range 5 West, N.M.P.M.

Section 6: W/2

Section 7: W/2

Section 18: W/2

Section 19: W/2

Section 30: W/2

Section 31: W/2

Township 27 North, Range 6 West, N.M.P.M.

Section 33: N/2

Section 34: N/2

Section 35: N/2

As of June 1, 1961, the perimeter acreage (with the exception of the N/2 of Section 33, Township 27 North, Range 6 West which has not been developed in the Pictured Cliffs Formation) has been developed in the Pictured Cliffs Formation by completion of one (1) well in each 320-acre drilling block. In the event that operators of such perimeter shall complete a second commercial gas well in the Pictured Cliffs Formation on any 320-acre drilling block of perimeter acreage then El Paso shall commence within ninety (90) days after first production therefrom and drill to the Pictured Cliffs Formation on the 160-acre Pictured Cliffs drilling unit directly offsetting the newly completed well.

In the event that development hereafter in the area of or adjacent to any undeveloped Mesaverde or Pictured Cliffs drilling unit shall evidence that such drilling unit shall not be productive of gas in commercial quantities in the

formation applicable to such drilling unit as above specified and for such reason El Paso shall not desire to drill such well thereon, then El Paso shall promptly offer to reassign any such drilling unit to Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, and thereupon shall be relieved of its obligation to drill a test well to the applicable formation, it being understood that if Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, does not desire to have said drilling unit reassigned to it, such acreage may be released upon mutual consent of El Paso and Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear; provided that El Paso may retain any commercial gas well completed thereon in a shallower or deeper formation, together with its rights in such drilling unit in such shallower or deeper formation. This provision shall not relieve El Paso of its obligation to drill twelve (12) Pictured Cliffs wells prior to December 31, 1962. In the event the operation of any well heretofore or hereafter drilled shall become unprofitable, then El Paso shall have the option upon sixty (60) days notice to reassign to Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, such well and gas operating rights in the unit upon which such gas well is situated, and in such event Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, shall sell and El Paso shall buy gas produced therefrom at the price paid by El Paso for gas produced from the same formation in the San Juan Basin.

IT IS UNDERSTOOD AND AGREED that this Amendment and Modification shall in no way affect and change any previously executed amendment and shall be effective as of the date of the execution of this Amendment and shall, in all ways, be in substitution for Section 2 of Article VI of the Agreements hereinbefore mentioned.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals this 5th day of July, 1961.

EL PASO NATURAL GAS COMPANY
By Ann S. Howell
Attorney in Fact

ATTEST:

Richard Castle
Assistant Secretary

TEXAS NATIONAL PETROLEUM COMPANY

By L. C. Oldham, Jr.
Vice President

Robert Beamon
Robert Beamon, Independent
Executor of the Estate of
R. E. Beamon, Deceased.

A. V. Jones
A. V. Jones

W. C. McMahan
W. C. McMahan

Homer R. Stasney
Homer R. Stasney

STATE OF TEXAS
COUNTY OF EL PASO

The foregoing instrument was acknowledged before me this 5 day of July, 1961, by BEN B. NOWELL, Attorney in Fact for El Paso Natural Gas Company, a Delaware corporation, on behalf of said corporation.

M. B. Ivey
Notary Public

My Commission expires:
M. B. IVEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1963

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 11th day of July, 1961, by L. C. OLDHAM, JR., VICE President of Texas National Petroleum Company, a Delaware corporation, on behalf of said corporation.

L. C. Oldham, Jr.
Notary Public

My Commission expires:
6 / 6 / 63

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of July, 1961, by Robert Beamon, Independent Executor of the Estate of R. E. Beamon, Deceased.

Elizabeth Cassin
Notary Public

My Commission expires:

June 1, 1963

STATE OF TEXAS

COUNTY OF SHACKELFORD

The foregoing instrument was acknowledged before me this 22nd day of July, 1961, by A. V. Jones.

James V. Martin
Notary Public

My Commission expires:

6-1-69

STATE OF Texas

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 14th day of July, 1961, by W. C. McMahan.

Elizabeth Cassin
Notary Public

My Commission expires:

June 1, 1963

STATE OF TEXAS

COUNTY OF SHACKELFORD

The foregoing instrument was acknowledged before me this 22nd day of July, 1961, by Homer R. Stasney.

James V. Martin
Notary Public

My Commission expires:

6-1-69

Tex Natl. Petro. Comp.

**AMENDMENT TO OIL AND GAS LEASE SALE AGREEMENTS
Dated July 6, 1953**

Amendment No. 10 to GLA-76
Amendment No. 7 to GLA-77

THIS AGREEMENT, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"); and TEXAS NATIONAL PETROLEUM CO., a Delaware corporation, whose address is 902 South Coast Building, Houston 2, Texas, (hereinafter referred to as "Texas National"); and ROBERT BEAMON, Independent Executor of the Will and Estate of R. E. Beamon, deceased, successor to the interests of R. E. Beamon, whose address is 1303 Esperson Building, Houston 2, Texas, (hereinafter referred to as "Executor of the Estate of R. E. Beamon, deceased"); A. V. JONES, whose address is Post Office Box 787, Albany, Texas (hereinafter referred to as "Jones"); W. C. McMAHAN, whose address is Post Office Box 631, Houston 1, Texas (hereinafter referred to as "McMahan"); and HOMER R. STASNEY, whose address is Post Office Box 307, Albany, Texas, (hereinafter referred to as "Stasney");

W I T N E S S E T H:

WHEREAS, Johnston Oil and Gas Company and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on January 4, 1954, to provide that said Agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on May 1, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas National is the surviving corporation of a merger between Johnston Oil and Gas Company and Texam Oil and Gas Company, and Texas National has succeeded to all rights, privileges and obligations formerly held or imposed upon Johnston Oil and Gas Company; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on May 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas National for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on November 9, 1956, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on July 29, 1958, to (1) provide for the sale by Texas National to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove

gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement, and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on September 18, 1959, to (1) redefine the term "date of completion" as the same appears in Section 1.a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, and (4) provide for the treatment of a well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for failure to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, R. E. Beamon and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 21, pages 57-70, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on March 1, 1955, to provide for the obligations of El Paso to take said

volumes of gas or, failing to take such volumes, to make payment to Beamon for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on August 5, 1958, to (1) provide for the sale by Beamon to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement, and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Beamon and El Paso modified and amended said Agreement on September 8, 1959, to (1) redefine the term "date of completion," as the same appears in Section 1.a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, (4) provide for the treatment of a well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, R. E. Beamon died April 24, 1961, and Robert Beamon is the duly appointed and qualified Independent Executor of the Will and Estate of R. E. Beamon, deceased, and has succeeded to all rights of R. E. Beamon, deceased, in said contracts, and has full authority to enter into this Agreement; and

WHEREAS, by Amendment dated July 5, 1961, the parties hereto amended Section 2 of Article VI of the Oil and Gas Lease Sale Agreements both dated July 6, 1953; and

WHEREAS, the parties hereto deem it beneficial to defer the drilling obligations provided for in that certain Amendment dated July 5, 1961;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter stipulated and covenanted to be kept and performed, the parties hereto agree that paragraphs a), b) and c) of Section 2 of Article VI of the Oil and Gas Lease Sale Agreement, as amended, are hereby modified and amended to read as follows:

a) El Paso agrees to drill to the Pictured Cliffs Formation twelve (12) wells on subject acreage or on acreage pooled with subject acreage prior to December 31, 1963.

b) As to any undeveloped Mesaverde drilling unit lying within the Rincon Unit admitted to the Rincon Unit Mesaverde Participating Area on or before December 31, 1963, the drilling unit shall be considered as developed acreage in the same manner as if a Mesaverde well had been drilled thereon, and as to any undeveloped Mesaverde drilling unit lying outside the Rincon Unit, El Paso shall drill a well to the Mesaverde Formation on each such Mesaverde drilling unit prior to December 31, 1963, or shall reassign as their interests may appear, upon request of Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, all El Paso's gas operating rights in and to such drilling unit, retaining any commercial gas well completed thereon in a shallower or deeper formation and the gas operating rights in the producing formation; and

c) Any undeveloped Pictured Cliffs drilling unit which is included in the San Juan 28-6, San Juan 28-7, Huerfano, Canyon Largo or Rincon Unit Pictured Cliffs Participating Area on or before December 31, 1963, shall be considered as developed acreage in the same manner as if a Pictured Cliffs well had been drilled thereon, provided that a direct commercial offset Pictured Cliffs gas well drilled after June 1, 1961, upon the perimeter acreage as hereinafter described shall require El Paso to drill or reassign as hereinafter specified.

El Paso agrees to protect against offset drilling on perimeter acreage, which immediately adjoins portions of the subject acreage and which is described as follows, to wit:

Township 27 North, Range 5 West, N.M.P.M.

Section 6: W/2
Section 7: W/2
Section 18: W/2
Section 19: W/2
Section 30: W/2
Section 31: W/2

Township 27 North, Range 6 West, N.M.P.M.

Section 33: N/2
Section 34: N/2
Section 35: N/2

As of June 1, 1961, the perimeter acreage (with the exception of the N/2 of Section 33, Township 27 North, Range 6 West which has not been developed in the Pictured Cliffs Formation) has been developed in the Pictured Cliffs Formation by completion of one (1) well in each 320-acre drilling block. In the event that operators of such perimeter shall complete a second commercial gas well in the Pictured Cliffs Formation on any 320-acre drilling block of perimeter acreage then El Paso shall commence within ninety (90) days after first production therefrom and drill to the Pictured Cliffs Formation on the 160-acre Pictured Cliffs drilling unit directly offsetting the newly completed well.

In the event that development hereafter in the area of or adjacent to any undeveloped Mesaverde or Pictured Cliffs drilling unit shall evidence that such drilling unit shall not be productive of gas in commercial quantities in the formation applicable to such drilling unit as above specified and for such reason El Paso shall not desire to drill such well thereon, then El Paso shall promptly offer to reassign any such drilling unit to Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, and thereupon shall be relieved of its obligation to drill a test well to the applicable formation, it being understood that if Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, does not desire to have said drilling unit re-assigned to it, such acreage may be released upon mutual consent of El Paso and Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear; provided that El Paso may retain any commercial gas well completed thereon in a shallower or deeper formation, together with its rights in such drilling unit in such shallower or deeper formation. This provision shall not relieve El Paso of its obligation to drill twelve (12) Pictured Cliffs wells prior to December 31, 1963. In the event the operation of any well heretofore or hereafter drilled shall become unprofitable, then El Paso shall have the option upon sixty (60) days notice to reassign to Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, such well and gas operating rights in the unit upon which such gas well is situated, and in such event Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, shall sell and El Paso shall buy gas produced therefrom at the price paid by El Paso for gas produced from the same formation in the San Juan Basin.

IT IS UNDERSTOOD AND AGREED that this Amendment and Modification shall in no way affect and change any previously executed amendment with the exception of that certain Amendment dated July 5, 1961, which is modified and changed hereby, and shall be effective as of the date of the execution of this Amendment and shall, in all ways, be in substitution for paragraphs a), b) and c) of Section 2 of Article VI of the Oil and Gas Lease Sale Agreements dated July 6, 1953.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals this _____ day of _____, 1962.

EL PASO NATURAL GAS COMPANY

By _____
Attorney in Fact

ATTEST:

TEXAS NATIONAL PETROLEUM CO.

Assistant Secretary

By _____
Vice President

ROBERT BEAMON, Independent
Executor of the Estate of
R. E. Beamon, Deceased.

A. V. JONES

W. C. McMAHAN

HOMER R. STASNEY

STATE OF TEXAS I
 I
COUNTY OF EL PASO I

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____, Attorney in Fact for EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires: _____ Notary Public

STATE OF TEXAS I
 I
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____, Vice President of TEXAS NATIONAL PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires: _____ Notary Public

STATE OF TEXAS I
 I
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by Robert Beamon, Independent Executor of the Estate of R. E. Beamon, Deceased.

My Commission expires: _____ Notary Public

STATE OF TEXAS

I
I
I

COUNTY OF SHACKELFORD

The foregoing instrument was acknowledged before me this _____
day of _____, 1962, by A. V. JONES.

My Commission expires:

Notary Public

STATE OF TEXAS

I
I
I

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this _____
day of _____, 1962, by W. C. McMAHAN.

My Commission expires:

Notary Public

STATE OF TEXAS

I
I
I

COUNTY OF SHACKELFORD

The foregoing instrument was acknowledged before me this _____
day of _____, 1962, by HOMER R. STASNEY.

My Commission expires:

Notary Public

OIL AND GAS LEASE SALE AGREEMENT

dated July 6, 1953

between

EL PASO NATURAL GAS COMPANY

and

R. E. BEAMON

covering oil and gas leases
on lands in the San Juan
Basin

OIL AND GAS LEASE SALE AGREEMENT

THIS AGREEMENT, made and entered into this 6th day of July, 1953, A.D., by and between R. E. BEAMON, an individual, with an office in Houston, Texas, hereinafter called "Beamon"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas, hereinafter called "El Paso",

W I T N E S S E T H:

WHEREAS, Beamon is the present owner and holder of various oil and gas leases covering lands in the San Juan Basin; and

WHEREAS, El Paso is the owner and operator of gas transmission and gathering facilities within and extending beyond the San Juan Basin and is desirous of acquiring leases from which a portion of its gas requirements for such facilities, as proposed to be expanded, may be obtained:

NOW, THEREFORE, in consideration of the premises, the mutual covenants and promises contained herein and other good and valuable considerations, the full receipt and sufficiency of all of which are hereby acknowledged by each of the said parties, the said parties hereby agree as follows:

ARTICLE I

Definitions

As used in this agreement the following terms have the meanings herein stated:

Section 1. The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven (7)

o'clock A.M. Mountain Standard Time.

Section 2. The term "month" shall mean a period commencing at seven (7) o'clock A.M. Mountain Standard Time on the first day of any calendar month and ending at seven (7) o'clock A. M. Mountain Standard Time on the first day of the next succeeding calendar month.

Section 3. The term "year" means a period of twelve (12) months beginning at seven (7) o'clock A.M. Mountain Standard Time on the first day of January of any calendar year and ending at seven (7) o'clock A. M. on the first day of January of the next succeeding calendar year.

Section 4. The term "gas" shall include both natural gas and casinghead gas.

Section 5. The term "lease" means the conventional gas lease or oil and gas lease under which the lessee has the right to produce and market gas (except casinghead gas in some cases) from the lands covered thereby, the life of which is for a stated number of years and as long thereafter as oil or gas is produced in paying quantities, and the term "lease" shall also include applications for leases, options to acquire leases and agreements entitling one party to dispose of gas produced from leases.

Section 6. The term "mcf" means one thousand (1,000) cubic feet.

Section 7. The term "PSIG" means pounds per square inch gauge.

Section 8. The term "subject lands" means all lands covered by Beamon's leases as described in Exhibit "A" hereof.

Section 9. The term "Rincon Unit" shall mean the leases (as above defined) and the subject lands covered thereby listed and described under the title "Rincon Unit" in Exhibit "A" hereof.

Section 10. The term "overriding royalty" as applied to Beamon's interest means the right to receive a certain portion of production or payment out of production free and clear of any cost, expense, charge, deduction or tax levied on production, severance or transportation.

Section 11. The term "open flow capacity" means the ability or capacity of a natural gas well to produce natural gas for a period of twenty-four (24) hours as determined by the most recent open flow test conducted by the parties hereto by flowing the well wide open against no back pressure for a period of six (6) consecutive hours after it has been shut in for a period of at least seventy-two (72) consecutive hours, and computing the open flow capacity from center impact readings taken by means of a Pitot tube in accordance with the Walter Reid formula or conducted in such other manner as may be agreed upon between the parties.

Section 12. The term "gas well" means any well (a) which produces natural gas not associated or blended with crude petroleum oil at the time of production, or (b) which produces more than 100 mcf of natural gas to each barrel of crude petroleum oil from the same producing horizon.

Section 13. The term "oil well" means any well which produces one barrel or more of crude petroleum oil to each 100 mcf of natural gas.

Section 14. The term "oil" means any liquid hydrocarbon having a gravity of 50 or less degrees A.P.I.

ARTICLE II

Leases Being Sold

Section 1. Beamon represents and warrants that he owns or has the right to acquire the percentage of the production from the leases covering the subject lands more fully shown and described in Exhibit "A" attached hereto and made a part hereof for all purposes, subject to the provisions of Article III hereof.

Section 2. Subject to the terms and provisions of this agreement, Beamon agrees to sell and deliver to El Paso, and El Paso agrees to purchase from Beamon and pay for the entire working interest of Beamon, free and clear of liens and of contracts for the sale of gas produced therefrom, as and in the manner hereinafter set forth, in each and all of the lands and/or leases described in said Exhibit "A" in so far as such interest pertains to the right to explore for and produce gas from zones and/or formations down to and including the Mesa Verde Formation.

Section 3. The sale of leases provided for in Section 2 above shall include not only the said leases of Beamon, but also (in so far as any of the following shall pertain to gas wells producing from formations down to and including Mesa Verde Formation)

the interest of Beamon in all wells and well structures on any of the subject lands and the interest of Beamon in all casing, fittings, appurtenances and personal property located on the leased premises and attached to or used with such wells, together with the right of ingress and egress to and from the leased premises, including but not limited to the right to construct and maintain on such lands all works, buildings, plants, waterways, roads, telegraph and telephone lines, pipe lines, reservoirs, tanks, pumping stations and other structures necessary or appropriate to the full enjoyment of the interest in the said leases being sold in Section 2 above, together also with the right to develop water on said subject lands and to use same in connection with El Paso's operations hereunder, but all subject to the terms, provisions and conditions hereof and subject to the provisions of the said leases, assignments thereof and other instruments and documents pertaining thereto under which Beamon's title is derived.

Section 4. It is understood that the United States Department of the Interior may not approve any assignment of an interest in an oil and gas lease on federal public domain which is limited to certain structures, horizons or depths. It is therefore agreed that Beamon may, at its option, reserve and retain all or part of the interest in that portion of the subject lands which is federal public domain, and which Beamon shall be entitled to retain hereunder, either by operating agreement or by other method acceptable to the Department of the Interior instead of by assignment as provided elsewhere herein.

ARTICLE III

Exceptions and Reservations

Section 1. In the various said leases of Beamon's assignments thereof and other instruments and documents pertaining thereto, there are excepted and reserved to or assigned for the benefit of the various lessors, assignors and others, certain royalties, overriding royalties and other rights and interests in, to and connected with oil, gas and other minerals produced from and under such leases, reference being here made to all such leases, assignments, instruments and documents for a more particular description of the terms thereof. The obligation of Beamon to sell and deliver the said leases to El Paso hereunder is made expressly subject to all such royalties, overriding royalties and other rights and interests so excepted, reserved or assigned.

Section 2. In addition to the overriding royalties and outstanding interests specified in Section 1 of this Article III, Beamon hereby excepts from this agreement and reserves and retains unto himself and his successors and assigns, or to person(s) whom Beamon may designate, the following:

Paragraph A. An overriding royalty on Beamon's interest in all gas produced and saved from the said leases and the subject lands being sold herein as follows:

(1) 5¢ per mcf on all such gas produced and saved during the first 3-1/3 years after the date of closing.

(2) 6¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(3) 7¢ per mcf on all such gas produced and saved during the next 3-1/3 years thereafter.

(4) 8¢ per mcf on all such gas produced and saved during the next one year thereafter.

(5) 9¢ per mcf on all such gas produced and saved during the next three years thereafter.

(6) 10¢ per mcf on all such gas produced and saved during the next one year thereafter.

(7) Not less than 10¢ per mcf on all such gas produced and saved thereafter.

Paragraph B. The volumes of gas, upon which the overriding royalties described in Paragraphs A and C of this Article III shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix thereto and subsequent amendments and appendices from time to time made. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the subject lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

Paragraph C. The overriding royalty specified in subparagraph (7) of Paragraph A above shall in no event be less than the amount

stated therein but shall be arrived at as follows: Approximately ninety (90) days prior to the end of the first fifteen (15) years following the date of closing the parties shall attempt to agree upon the amount of such overriding royalty for the next five-year period. If the parties agree upon such overriding royalty, then such amount shall be the overriding royalty to be received by Beamon hereunder for such period. If the parties cannot agree upon such amount, then such amount shall be determined by a board of arbitrators to be appointed as provided in Article X hereof. The board of arbitrators, in determining the amount of such overriding royalty, shall base their decision on the then value of such gas at the well head, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of El Paso's pipe lines or gathering systems or of any pipe line system to which any of El Paso's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amount of such overriding royalty. The overriding royalty reserved by Beamon in Paragraph A above shall be determined for each five-year period after the twentieth year following the date of closing, in like manner to that provided above for the five-year period next following the fifteenth year after the date of closing, but in no event shall the amount of such overriding royalty be less than 10¢ per mcf.

Paragraph D. An overriding royalty in the amount of 33-1/3%

of Beamon's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from the said leases and the subject lands being sold herein. At Beamon's option El Paso shall deliver to Beamon such overriding royalty in kind or shall pay to Beamon the fair market value thereof in cash; provided, however, that if El Paso shall desire to contract for the sale of any such liquid hydrocarbons over a period of years it shall notify Beamon of the price, terms and conditions of such proposed contract and, within thirty (30) days after the receipt of such notice, Beamon shall elect either to join in such contract or to take in kind his share of the liquid hydrocarbons to which such contract relates, for the entire term of such contract. At all times prior to the completion of construction and commencement of operation by El Paso of a plant for extraction of such liquids, El Paso shall pay to Beamon in cash the estimated value of 33-1/3% of all liquids produced with or contained in gas produced from the leases being sold herein and applicable to Beamon's interest therein, regardless of whether such liquids are extracted from the gas. If the parties are unable to agree upon such estimated value, then the amount thereof shall be determined by arbitration as provided in Article X hereof. El Paso agrees that it will with reasonable dispatch construct and thereafter efficiently operate a plant at a location to be selected by it in the said San Juan Basin for the extraction of such liquids. El Paso agrees to conduct all of its operations in such manner as to reasonably and

economically conserve and ultimately recover the maximum amount of liquids reasonably and economically recoverable from said gas. Beamon shall have the option at the end of the first 3-1/3 year period of operation of such plant to purchase the total propane production from such plant applicable to gas produced from the subject lands, at the average price received by El Paso for such production during the last year of said 3-1/3 year period, such option to be exercisable by Beamon at any time during the second 3-1/3 year period of operation of such plant. Should Beamon exercise such option he shall thereupon have the continuing right to purchase, and shall purchase, such propane production on such basis at all times during the remainder of the life of such plant.

Paragraph E. It is understood that the United States Department of the Interior may not approve reservations of the overriding royalties described in Paragraphs A, B, C and D above as to federal public domain unless such overriding royalties on any particular lease from which the average production per well per day is 500 mcf of gas or less are converted to a working interest. It is agreed therefore that Beamon may in the assignments containing his reservation of such overriding royalties on federal public domain provide for the suspension of such overriding royalties when production is less than such amount; provided, however, that notwithstanding such provision, it is agreed that during any and all such periods when production on any particular lease shall be less than such amount Beamon shall receive in lieu of such over-

riding royalties in such lease a portion of the working interest therein (including liquid hydrocarbons after extraction) in an amount to be agreed upon by the parties hereto, and if they cannot so agree, then in an amount to be agreed upon by a board of arbitrators in accordance with Article X hereof. El Paso agrees that in any event Beamon shall receive such amount of working interest (including liquid hydrocarbons after extraction) in such lease so that after deduction of his part of all costs of operation from the proceeds of the sale of gas therefrom (including the liquid hydrocarbons extracted from such gas) Beamon shall receive a net amount in cash from such working interest which shall be equal to the amount Beamon would have been entitled to receive otherwise as overriding royalties from such lease during such period, and Beamon agrees to sell such gas to El Paso on such basis.

Paragraph 7. All oil in, to and under the said leases and the subject lands (for the benefit of himself and others owning interests therein), together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and construction and operation of all facilities necessary or appropriate in connection therewith. In the event any well is drilled through any zone from which El Paso shall be producing gas, then Beamon agrees to take adequate measures to protect such zone against infiltration of water and/or loss of gas.

Paragraph G. All gas and other hydrocarbon substances in, to and under the said leases and the subject lands in all formations below the Mesa Verde Formation, together with the right of ingress and egress to and from the leased premises for the purpose of exploring for, producing and removing same and construction and operation of all facilities necessary or appropriate in connection therewith, but subject to the provisions of Sections 3 and 4 of Article VI hereof and Section 2 of Article VII.

ARTICLE IV

Price of Wells

At the time of closing provided for in Article IX hereof El Paso shall pay to Beamon in cash an amount equal to Ninety Thousand Dollars (\$90,000.00) for each commercial gas well (not exceeding a total of four) being sold herein completed in the Mesa Verde Formation and Thirty Thousand Dollars (\$30,000.00) for each commercial gas well (not exceeding a total of fifteen) being sold herein and completed in the Pictured Cliffs Formation. El Paso may, at its option, also acquire any Pictured Cliffs or Mesa Verde well of Beamon on the subject lands which is then being reworked or which shall have been completed as a non-commercial well by paying to Beamon at that time in cash the actual cost thereof. El Paso shall reimburse Beamon for the cost of any well being drilled on the subject lands at the time of closing hereunder and shall take over operation thereof at that time, provided that the completed well costs (including El Paso's costs of completing such

well after assignment) shall not exceed the above agreed amounts. In any instance where Beamon does not own all of a particular well, the purchase price thereof hereunder shall be reduced proportionately. The cash payments provided for in this Article IV are to cover Beamon's share of the agreed cost of such wells and no part thereof shall be considered as purchase price for said leases. For the purpose of this Article IV, the term "Commercial Well" means any gas well completed in the Mesa Verde Formation having an open flow potential of at least 500 mcf per day, and any well completed in the Pictured Cliffs Formation having an open flow potential of at least 150 mcf per day, provided that all wells completed in the Mesa Verde Formation on the date of closing shall have an average open flow potential of at least 1,000 mcf per day. If all such Mesa Verde gas wells shall not have such average open flow potential, then El Paso may, but shall not be obligated to, purchase such Mesa Verde gas wells, and the total price payable by El Paso to Beamon for all such Mesa Verde gas wells shall be reduced by a fraction, the numerator of which shall be the number of mcf by which the average open flow potential of such wells is less than 1,000 mcf and the denominator of which fraction shall be 1,000.

If El Paso should not acquire any well hereunder, then such well and the drilling unit upon which it shall be situated shall thereupon be considered excluded for all purposes from this agreement and El Paso shall have no further interest therein hereunder, but only in so far as the formation in which the well is completed is concerned.

ARTICLE V

Payment of Overriding Royalties

Section 1. El Paso assumes and agrees to pay as and when the same shall become due and payable all outstanding royalty, overriding royalty, carried and other interests under the leases herein sold applicable to all gas, oil and other hydrocarbons produced and saved by El Paso and not delivered in kind to Beamon hereunder.

Section 2. El Paso agrees to pay to Beamon at Houston, Texas, on or before the 20th day of each month, the overriding royalties reserved by Beamon herein applicable to one-twelfth (1/12) of the annual minimum volumes of gas required to be taken or paid for hereunder. All amounts of gas taken in excess of the minimum so paid for shall be paid for by El Paso for each year on or before the 20th day of January of the next succeeding year. Should El Paso fail to pay any such amount to Beamon as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of six per cent (6%) per annum from the due date or dates until the date of payment thereof.

Section 3. Beamon shall have the right to examine at reasonable times the books, records, laboratory tests and charts of El Paso to the extent necessary to verify the accuracy of any statement, test, chart or computation made under or pursuant to any of the provisions of this agreement.

ARTICLE VI

El Paso's Development Program

Section 1. El Paso assumes and agrees to perform and fulfill (subject to the terms and provisions of Section 2 of this Article VI) all of the terms, covenants and conditions of the lessee in each of the said leases purchased by it hereunder or in the assignments thereof or other instrument pertaining thereto under which Beamon's title is derived, insofar as they cover and affect the drilling of wells and the production of gas and/or other hydrocarbon substances from formations down to and including the Mesa Verde Formation and in such deeper formations in which El Paso may operate hereunder, including payment of all rentals which become due after the date of closing. El Paso agrees to fully develop such leases down to and including the Mesa Verde Formation at such times and in such a manner as to (a) avoid forfeiture of such leases, and (b) comply with the requirements of all governmental agencies having jurisdiction. El Paso agrees that either by unitization or development and production, El Paso shall protect the subject lands against drainage from wells on adjacent lands.

Section 2. Promptly after the execution of this agreement two geologists, one representing each of the parties, shall prepare a map showing all of the subject lands divided into drilling units for both Mesa Verde and Pictured Cliffs wells. Each drilling unit for a Mesa Verde well shall contain approximately three hundred twenty (320) acres and each drilling unit for a Pictured

Cliffs well shall contain approximately one hundred sixty (160) acres. El Paso agrees that it will drill or cause to be drilled during the period of seven and one-half (7-1/2) years following the date of closing a well for oil or gas on some portion of each such drilling unit, such wells to be drilled to the Mesa Verde Formation on the Mesa Verde drilling units and to the Pictured Cliffs Formation on the Pictured Cliffs drilling units. It is provided, however, that in the event, at the end of five (5) years next following the date of closing, Mesa Verde wells then on the subject lands are not capable of a legally authorized deliverability of ten thousand (10,000) mcf of gas per day and the subject lands have not been fully developed in accordance with the terms of this Section 2, then El Paso shall continue diligent drilling operations to the Mesa Verde Formation on the subject lands until Mesa Verde wells on the subject lands are capable of a maximum legally authorized deliverability of ten thousand (10,000) mcf of gas per day or until the subject lands have been fully developed in accordance with the terms of this Section 2 and such drilling operations to the Mesa Verde Formation shall continue on the subject lands so long as necessary to maintain the said maximum legally authorized deliverability of ten thousand (10,000) mcf of gas per day from the Mesa Verde wells on the subject lands or until the subject lands have been fully developed in accordance with the terms of this Section 2. In the event that development hereafter in the area of or adjacent to any drilling unit should evidence that such drilling unit will not be productive

of gas in commercial quantities in the formation applicable to such drilling unit as above specified and for such reason El Paso shall not desire to drill such well thereon, then El Paso shall promptly reassign any such drilling unit to Beamon or to any person whom Beamon may designate and thereupon shall be relieved of its obligation to drill a test well thereon to the formation applicable; provided that El Paso may retain any commercial gas well completed thereon in a shallower or deeper formation, together with its rights in such drilling unit down through such shallower or deeper formation. In the event the operation of any well heretofore or hereafter drilled shall become unprofitable, then El Paso shall have the option upon sixty (60) days' notice to Beamon to reassign to Beamon such well and the unit upon which such well is situated, and in such event Beamon shall have the option to sell gas produced therefrom to El Paso at the highest price paid for gas of like kind and quality in the field by El Paso or any other bona fide pipe line company, and El Paso agrees to purchase such gas at such price.)

Section 3. El Paso shall have the right to drill for oil or gas in formations below the Mesa Verde Formation on the subject lands. If El Paso should discover gas in commercial quantities in any such well below such formations, Beamon agrees to assign (to the extent of his interest) to El Paso the legally authorized drilling unit upon which such well shall be located as to all formations down to and including the formation from which such well shall be producing, under the same terms and conditions as such

drilling unit shall have been assigned to El Paso hereunder as to all formations down to and including the Mesa Verde Formation

Section 4. If El Paso, in the development of any of said leases, shall drill and complete an oil well thereon, El Paso shall notify Beamon immediately of such well, its location, cost and the results of any tests and other technical data in connection therewith. Beamon shall have the option to acquire such well from El Paso upon payment of El Paso's cost of drilling, completing and equipping the same, such option to be exercised within ninety (90) days after receipt of such notice. If Beamon should not exercise such option, then such well shall belong to El Paso, but El Paso shall pay to Beamon the same overriding royalty it has agreed to pay Beamon on other liquid hydrocarbons hereunder. In the case of a well completed in any formation below the Mesa Verde Formation on the subject lands which shall be producing less than twenty (20) barrels of oil per day and which shall also be producing gas in commercial quantities, Beamon shall have the further option to set a separator on the flow line from such well to separate the oil from the gas, and in such event all oil so separated shall belong to Beamon (for the benefit of himself and others owning interests in same).

ARTICLE VII

Minimum Gas Production and Deep Gas Production

Section 1. El Paso agrees that, as soon as reasonably possible but not exceeding ninety (90) days after the date of closing herein provided for, it will commence and continue taking from

wells now existing or which may be hereafter completed on the leases being sold to it hereunder gas produced from such wells and shall take the following quantities of gas, subject to the ability of the wells to produce said quantities under the rules and regulations of governmental authorities having jurisdiction thereof:

(a) From Mesa Verde wells an amount each day equal to twenty-five percent (25%) of the aggregate open flow potential of all such wells on an eighty percent (80%) load factor, averaged annually, until annual production from such Mesa Verde wells shall reach ten thousand (10,000) mcf per day. Thereafter, El Paso will continue to produce an average of ten thousand (10,000) mcf of gas per day from such Mesa Verde wells until the expiration of one year after development of such 10,000 mcf per day production or until El Paso shall have obtained approval from the Federal Power Commission to produce and transport from the subject lands additional amounts of gas, whichever shall occur first. When reserves capable of producing substantially in excess of 10,000 mcf of gas per day shall have been developed, then El Paso agrees either to produce such excess if its facilities are adequate to take such amounts or promptly to apply to the Federal Power Commission for approval to transport from the subject lands additional quantities of gas and to construct such facilities as may be necessary or appropriate therefor. Upon the expiration of the said one-year period or upon receipt of such approval from the Federal Power Commission, whichever shall occur first, then

El Paso shall thereupon become obligated hereunder to take thereafter from all Mesa Verde wells on the subject lands an amount of gas each day equal to 25% of the aggregate open flow potential of all such wells on an 80% load factor, averaged annually.

(b) From Pictured Cliffs wells an amount of gas each day equal to 25% of the aggregate open flow potential of all such wells on an 80% load factor, averaged annually.

El Paso shall not be required under any provisions of this agreement to take or purchase gas from any well at a well head working pressure of less than 100 PSIG. In lieu of taking the minimum quantities of gas required by this agreement, El Paso may pay to Beamon in cash all amounts which would have been due to Beamon hereunder had such quantities been taken. Any gas paid for by El Paso but not taken during any year by virtue of the minimum take or pay provisions hereof may be taken by El Paso from the subject lands at any time thereafter out of any production in excess of the minimum quantities above provided for during the period or periods in which such quantities are being made up.

Section 2. If Beamon should develop the said leases for gas in formations below the Mesa Verde Formation, then El Paso agrees to connect to its pipe line system as soon as possible after the completion thereof, each well so drilled, and agrees to commence and continue to purchase ratably therefrom (at the highest price then being paid for gas of like kind and quality and under the same terms and conditions of the most favorable contract pertaining to gas from such formations) until such wells shall have an

aggregate open flow potential of 21,500 mcf of gas per day from formations below the Mesa Verde Formation, at which time Beamon shall notify El Paso in writing of such development, and El Paso shall have an option to be exercised within ninety (90) days after receipt of such notice, to acquire the oil and gas leases upon which Beamon has such deeper gas productions insofar as such leases cover (a) the formations from which such production has been obtained, and (b) the legally authorized drilling units upon which such wells are located, such acquisition to be upon the same terms and conditions as the leases being sold to El Paso herein, and shall pay to Beamon the overriding royalties at the same rates then being paid for shallower production hereunder, except that El Paso in such event shall pay to Beamon in cash the cost to Beamon of drilling, completing and equipping all such wells below the Mesa Verde Formation instead of the amounts provided for elsewhere herein as the agreed price for the wells being sold hereunder. If El Paso does not exercise such option within such time, then Beamon shall have the option to require El Paso to release to Beamon all its rights hereunder to gas which may be produced from any formation in the subject lands below the Mesa Verde Formation. If such deeper reserves should be developed in excess of four hundred million (400,000,000) mcf, then Beamon and El Paso shall attempt to agree upon a maximum amount of gas to be taken or paid for therefrom, such amount to be not less than forty-three thousand (43,000) mcf per day. If the parties cannot agree upon such maximum amount, then it shall be determined by arbitration as provided in Article X hereof.

ARTICLE VIII

Approval of Title

Section 1. On or before one hundred twenty (120) days after the date of the execution of this agreement Beamon shall submit to El Paso all abstracts of title in his possession and all supplemental abstracts certified to date evidencing its title to the subject lands and leases. El Paso shall have thirty (30) days thereafter within which to examine such abstracts, prepare title opinions thereon and reject title to any such lease or leases the title to which shall be determined by El Paso's attorneys not to be good and merchantable; provided, however, that Beamon shall have thirty (30) days thereafter within which to submit any curative matter necessary to cure any such title objections. If such curative matter is not submitted within said time as to any such lease(s), then, at the option of El Paso, such lease(s) shall be deleted from this agreement at the time of closing, and in such event neither party shall be liable to the other hereunder with respect to such deleted lease(s).

Section 2. Failure of governmental regulatory bodies to approve transfers of title is included within Article IX hereof and is not to be considered an objection to title under this Article VIII. It shall not be necessary for Beamon to establish lease ownership but merely the right to extract and remove gas from the lands in question down to and including the Mesa Verde Formation. It is understood that there are various outstanding royalty, overriding royalty and working interests in some or all of the said leases and such out-

standing interests shall not constitute title objections, it being understood that only the net interest of Beamon in said leases is being sold to El Paso hereunder.

Section 3. The approval by governmental agencies referred to in Section 2 of this Article VIII does not refer to approval of the assignment of any particular United States oil and gas lease by the Department of the Interior nor to the approval by the Commissioner of Public Lands of the State of New Mexico of the assignment of any lease issued by the State of New Mexico. However, the refusal of either of such governmental agencies to approve the assignment hereunder of any particular lease under its jurisdiction shall entitle El Paso, after the final decision on any appeal taken from the action of such governmental agency, to require Beamon to repurchase from El Paso at El Paso's cost any well or wells thereon and thereupon El Paso shall reassign any such lease to Beamon in the same manner as hereinabove provided, or if no commercially productive well should be located on such lease at such time, then El Paso shall reassign the same to Beamon for no cash consideration.

ARTICLE IX

Date of Closing

Section 1. Transfer of the interest in said leases from Beamon to El Paso being sold hereunder and payment of the cash considered for the wells thereon, as provided herein, shall take place at Dallas, Texas on January 3, 1954, or at such other time and place as may be agreed upon by the parties, regardless of

whether approval of any and all governmental bodies having jurisdiction shall have been obtained theretofore. At the time of closing, Beamon shall execute and deliver to El Paso, or to such other person or persons as El Paso may designate, assignments (subject to the reservations and exceptions hereinbefore set forth and containing covenants of general warranty) of Beamon's interest in the leases to be assigned hereunder. Each party hereto shall execute, or cause to be executed by the record owners of such party's interest in the assigned leasehold interest, such other instruments as may be necessary to subject the assigned leasehold interest to the applicable terms and conditions hereof.

ARTICLE X

Arbitration

Section 1. If and whenever any controversy shall arise out of this agreement or out of the refusal of either party to perform the whole or any part thereof and the parties shall be unable to agree with respect to such controversy, the same shall be submitted for determination by a board of three arbitrators chosen as follows: Upon written demand of either party and within ten (10) days from the date of such demand, each party shall name an arbitrator and the two arbitrators so named shall promptly thereafter choose a third. If either party shall fail to name an arbitrator within ten (10) days from such demand, the other party shall name the second arbitrator as well as the first, or if the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon written

application by either party such third arbitrator may be appointed by the American Arbitration Association.

Section 2. The board of arbitrators so chosen shall proceed immediately to hear and determine the question or questions in dispute. The decision of the board of arbitrators or majority thereof shall be made within forth-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances. In the event the board or majority thereof should fail to make a decision within sixty (60) days after the appointment of the third arbitrator, new arbitrators may at the election of either party be chosen in like manner as if none had previously been selected.

Section 3. The decision of the arbitrators shall be drawn up in writing and signed by the arbitrators or a majority of them and shall be final and binding as to the parties hereto and as to any question or questions so submitted to said arbitrators, and said parties shall abide by such decision and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators, all expense in connection with such arbitration, including a reasonable compensation to the arbitrators, shall be divided equally between the parties hereto, with the exception of expenses of counsel, witnesses and employees of the parties hereto, which, unless otherwise determined by the arbitrators, shall be borne by the parties incurring them.

ARTICLE XI

Well Data and Tests

Section 1. Beamon shall furnish to El Paso promptly after

the date of closing all his well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells heretofore drilled by or for Beamon on the subject lands. El Paso shall furnish to Beamon promptly all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells which may be hereafter drilled by or for El Paso on the subject lands.

Section 2. El Paso agrees to notify Beamon promptly of all shows of oil in any well which may be drilled hereafter by or for El Paso on the subject lands. Beamon shall have the right, at his expense, to require El Paso to core any zone that Beamon considers as possible oil productive and to require El Paso to perform drill stem tests or other tests to adequately determine the existence and quantity of oil in any horizon. Beamon shall at all times have access to the derrick floor of any and all wells drilled on the subject lands.

ARTICLE XII

Favored Nations Clause

If El Paso shall hereafter purchase any oil and gas leases covering land situated within 200 miles of the subject lands and shall pay a higher overriding royalty on gas, considering quality and pressure, then the total overriding royalty stipulated herein for gas or shall pay a higher overriding royalty on the liquid hydrocarbons contained therein, considering quantity and quality, or if El Paso shall hereafter pay any such higher overriding royalty on gas or liquid hydrocarbons pursuant to any lease pur-

chase agreement executed after May 1, 1952 pertaining to land situated within 200 miles of the subject lands, then El Paso shall thereafter pay to Beamon hereunder such higher overriding royalty for gas or liquid hydrocarbons thereafter produced for so long as El Paso shall pay such higher overriding royalty to others.

ARTICLE XIII

Rincon Unit

Upon receipt of written request therefor from El Paso Beamon agrees to use his best efforts to have El Paso designated as operator of the gas rights in those portions of the subject lands within the Rincon Unit down to and including the Mesa Verde Formation.

ARTICLE XIV

Miscellaneous

Section 1. Whenever requested by El Paso, Beamon shall execute or cause to be executed by the record owners of his interest communitization agreements in the usual form when necessary to obtain a legally authorized drilling unit. Whenever El Paso desires to explore below the Mesa Verde Formation and makes written request, Beamon shall execute or cause to be executed by the record owners of his interest all designations or other instruments required by regulatory commissions or governmental officials to enable El Paso to conduct such operations. Whenever El Paso desires to include all or any part of the subject lands within a unit agreement, Beamon shall cooperate with El Paso by executing a unit agreement containing the usual provisions and by requesting necessary approval.

Section 2. Except for El Paso's obligation to make payments of overriding royalties hereunder and except for the obligation of either party to make any other cash payment hereunder, neither party hereto shall be liable for any failure to perform the terms of this agreement when such failure is due to "force majeure".

Section 3. No modification of the terms and provisions of this agreement shall be or become effective except by the execution of supplementary written contracts.

Section 4. No waiver by either party of any one or more defaults by the other in the performance of any provisions of this agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

Section 5. Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this agreement, or any notice which either party may desire to give to the other, shall be in writing and shall be considered as duly delivered when duly deposited in the United States Mail, registered and postage prepaid, addressed to such other party at its said address. Either party may change its address hereunder by giving such a notice thereof to the other party. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered or ordinary mail. In the event of emergency, notice may be given by telephone or telegraph and confirmed in writing delivered as aforesaid.

Section 6. This agreement and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction.

The interpretation and performance of this agreement shall be in accordance with the laws of the State of Texas.

Section 7. The provisions of this contract are intended to apply to the entire interest and whenever Beamon's interest is less than the entire interest, the contract shall be considered modified to conform to such lesser interest, and the obligations to pay money and to take gas shall be reduced proportionately.

Section 8. This contract shall inure to the benefit of and be binding upon the said parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed, as of the date first above written.

WITNESS:

Gladys Huggins

~~WITNESS~~ ATTEST:

J. M. Linn
Ass't Secretary

R. E. BEAMON

By R. E. Beamon

EL PASO NATURAL GAS COMPANY

By [Signature]
Vice President

STATE OF TEXAS
COUNTY OF HARRIS

Before me, the undersigned, a Notary Public, in and for said County and State, on this 20 day of October, 1953, personally appeared R. E. BEAMON, to me known to be the identical person who executed the within and foregoing instrument 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.

Given under my hand and seal the day and year last above written.

My Commission Expires 6-1-55.

Betty Meade Notary Public
In and for said County and State

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

On this 20th day of October 1955, before me appeared W. H. Tucker, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said W. H. Tucker acknowledged said instrument to be the free act and deed of said corporation.

(Seal)

My commission expires:
10-1-55.

Audrey Jane Pumphrey
Notary Public in and for said
County and State.

AUDREY JANE PUMPHREY
Notary Public in and for Harris County, Texas

EXHIBIT "A"

DESCRIPTION OF LANDS AND LEASES

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe
078461 Lessee: Arne B. Filan Dated: Oct. 1, 1947
4204
T 27 N, R 8 W, N.M.P.M., San Juan County
Section 5: All;
containing 642.67 acres, more or less.
Record interest of Beamon, undivided 1/6 therein subject to proportionate part of 4%.
2. Santa Fe
078571 Lessee: S. Victor Day Dated May 1, 1948
4205
T 27 N, R 8 W, N.M.P.M., San Juan County
Section 7: All;
containing 640.44 acres, more or less.
Record interest of Beamon, undivided 1/6 therein subject to proportionate part of 5%.
3. Santa Fe
080213 Lessee: Dena Riddle Dated: Nov. 1, 1949
4224
T 27 N, R 7 W, N.M.P.M., Rio Arriba County
Section 28: S/2;
Section 33: All;
Section 34: W/2; ✓
containing 1280 acres, more or less
Record interest of Beamon, undivided 1/6 therein, subject to an overriding royalty interest of 5% of total production.
4. Santa Fe
079302 Lessee: Otis Wetsel Dated: April 1, 1948
4213
T 26 N, R 6 W, N.M.P.M., Rio Arriba County
Section 6: Lots 1 and 2; S/2 NE/4;
containing 160.48 acres, more or less.
Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

5. Santa Fe 079302-A Lessee: Otis Wetsel Dated: April 1, 1948

T 26 N, R 6 W, N.M.P.M., Rio Arriba County

Section 20: N/2 NW/4, SW/4 NW/4, SW/4, SW/4 SE/4;
containing 320 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

6. Santa Fe 079302-B Lessee: Otis Wetsel Dated: April 1, 1948

T 26 N, R 6 W, N.M.P.M., Rio Arriba County

Section 6: SE/4;
containing 160 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

7. Santa Fe 079160 Lessee: Lloyd W. Miles Dated: May 1, 1948

T 26 N, R 7 W, N.M.P.M., Rio Arriba County

Section 1: All;
Section 11: All;
Section 12: All;
containing 1920.80 acres, more or less.

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 1%, 2-1/2%, 3/4 of 1% and 3/4 of 1%.

8. Santa Fe 079301 Lessee: Coy Lindsey Dated: May 1, 1948

T 26 N, R 6 W, N.M.P.M., Rio Arriba County

Section 6: Lots 3, 4, 5, SE/4 NW/4;
containing 161.8 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

9. Santa Fe 079301-A Lessee: Coy Lindsey Dated: May 1, 1948

T 26 N, R 6 W, N.M.P.M., Rio Arriba County

Section 6: Lots 6 and 7; E/2 SW/4;
containing 161.35 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

10. Santa Fe
080385

Lessee: C. A. Slater

Dated: July 1, 1951

T 27 N, R 7 W, N.M.P.M., Rio Arriba County

Section 22: SE/4;
Section 23: S/2;
Section 26: All;
Section 27: E/2, SW/4;
Section 34: E/2;
Section 35: All;
containing 2560 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 3-1/2%, 3/4 of 1%, and 3/4 of 1%.

11. Santa Fe
079364

Lessee: Mike Abraham

Dated August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

Section 28: All;
Section 29: All;
Section 30: All;
Section 31: All;
containing 2560.54 acres, more or less.

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 28: S/2;
Section 29: N/2;
Section 30: S/2;
Section 31: S/2;
containing 1280.85 acres, more or less.

12. Santa Fe
079365

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

Section 13: N/2 SW/4, SW/4 SW/4;
Section 14: W/2, SE/4, SW/4 NE/4;
Section 15: All
Section 24: W/2, W/2 SE/4, NE/4 SE/4;
containing 1720 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 7 1/2%, and 3% as to the following described acreage:

Section 13: N/2 SW/4, SW/4 SW/4;
Section 15: S/2;
Section 14: NW/4.

13. Santa Fe
079365-A

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

4220
Section 22: NE/4, NE/4 SE/4;
Section 23: All;
containing 840 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 22: NE/4, NE/4 SE/4;
Section 23: N/2;
containing 520 acres, more or less

14. Santa Fe
079366

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

4221
Section 19: All;
Section 20: All;
Section 21: All;
Section 22: W/2 W/2, SE/4 SW/4, S/2 SE/4;
Section 27: N/2, NE/4 SE/4;
containing 2558.72 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 19: S/2;
Section 20: N/2;
Section 21: S/2;
Section 22: W/2 SW/4, SE/4 SE/4;
Section 27: NE/4 SE/4.

15. Santa Fe
079367-A

Lessee: Mike Abraham

Dated: August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

4222
Section 26: All;
Section 27: SE/4 SE/4, W/2 SE/4, SW/4;
containing 920 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalty interests of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 26: N/2;
Section 27: SE/4 SE/4, W/2 SE/4.

16. Santa Fe
079367-B

Lessee: Mike Abraham Dat d: August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

4223
Section 25: W/2, SE/4, W/2 NE/4;
containing 560 acres, more or less.

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalties of 10-1/2%.

17. Santa Fe
079363

Lessee: Mike Abraham Dated: August 1, 1948

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

4217
Section 1: All;
Section 10: NE/4, W/2 SE/4, SW/4, SE/4 SE/4;
Section 11: N/2, N/2 SE/4, SE/4 SE/4, SW/4 SW/4;
Section 12: All;
Section 13: N/2, NE/4 SE/4;
containing 2560.42 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to overriding royalties of 7-1/2%, and 3% as to the following described acreage, in addition thereto:

Section 1: N/2;
Section 10: SW/4, W/2 SE/4, SE/4 SE/4;
Section 11: SW/4 SW/4;
Section 12: N/2;
Section 13: N/2, NE/4 SE/4;
containing 1320.42 acres, more or less

Oil and Gas Leases, State Lands of New Mexico

18. E-289

Lessee: Levi A. Hughes Dated: May 2, 1945

T 27 N, R 7 W, N.M.P.M., Rio Arriba County

4300
Section 36: SW/4;
containing 160 acres, more or less.

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

19. E-290 Lessee Levi A. Hughes Dated: May 2, 1945

T 27 N, R 7 W, N.M.P.M., Rio Arriba County

Section 36: NW/4;

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

Section 36: NE/4, SE/4;
containing 480 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

20. E-290 Lessee: Levi A. Hughes Dated: May 2, 1945

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

Section 32: E/2 NE/4, SW/4 SW/4, SE/4;
Section 36: W/2 NW/4;
Section 2: Lot 1, W/2 SW/4, SE/4;
Section 16: NE/4;
containing 800.19 acres, more or less.

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

21. E-290 Lessee: Levi A. Hughes Dated: May 2, 1945

T 27 N, R 7 W, N.M.P.M., Rio Arriba County

Section 2: SW/4, SW/4 SE/4, Lots 3, 4;
Section 36: W/2 SE/4;
containing 358.96 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

22. E-290 Lessee: Levi A. Hughes Dated: May 2, 1945

T 27 N, R 6 W, N.M.P.M., Rio Arriba County

Section 2: N/2 NW/4, NW/4 NE/4;
Section 32: W/2 NW/4; NW/4 SW/4;
Section 36: E/2 SW/4;

T 27 N, R 7 W, N.M.P.M., Rio Arriba County

Section 2: E/2 NE/4, NE/4 SE/4;
Section 36: N/2 NE/4;
containing 519.81 acres, more or less

Record interest of Beamon, undivided 1/6 therein.

23. E-291 Lessee: Levi A. Hughes Dated: May 2, 1945
T 26 N, R 7 W, N.M.P.M., Rio Arriba County

4201
Section 2: SW/4;
Section 36: E/2;
containing 480 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

24. E-291 Lessee: Levi A. Hughes Dated: May 2, 1945
T 25 N, R 6 W, N.M.P.M., Rio Arriba County

4201
Section 2: Lots 1, 2, S/2 NE/4;
containing 160.85 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

25. E-291 Lessee: Levi A. Hughes Dated: May 2, 1945
T 26 N, R 6 W, N.M.P.M., Rio Arriba County

4201
Section 32: NE/4;
Section 36: W/2 NW/4, S/2;
containing 560 acres, more or less

Record interest of Beamon, undivided 1/6 therein, subject to 5% overriding royalty.

26. E-291 Lessee: Levi A. Hughes Dated: May 2, 1945
T 25 N, R 6 W, N.M.P.M., Rio Arriba County

4201
Section 2: E/2 NW/4;
T 26 N, R 6 W, N.M.P.M., Rio Arriba County
Section 32: S/2 SW/4;
Section 36: E/2 NE/4;

containing 240.68 acres, more or less.

Record interest of Beamon, undivided 1/6 therein.

AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT made and entered into on this 24th day of February, 1954, by and between R. E. Beamon, whose address is 346 Esperson Building, Houston, Texas (hereinafter called "Beamon"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Bassett Tower, El Paso, Texas (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Beamon and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, said Agreement being recorded in the official records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof being here made for all purposes; and

WHEREAS, Beamon and El Paso desire to modify and amend said Agreement so that same will cover and include one (1) lease and tract of land hereinafter described the same as if said one (1) lease and tract was originally incorporated in Exhibit "A" to said Agreement when executed and delivered;

NOW, THEREFORE, for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Beamon and El Paso have agreed and do agree as follows:

1. Said Oil and Gas Lease Sale Agreement dated July 6, 1953 is hereby modified and amended by the addition of the following one (1) lease and tract of land to Exhibit "A" thereof

affixed my official seal the day and year in this certificate first above written.

My commission expires:

June 1, 1955
(Notarial Seal)

/s/ Hester Davenport
Notary Public, County of Harris,
State of Texas

STATE OF TEXAS)
)
COUNTY OF EL PASO)

On this 22 day of March, 1954, before me appeared H. F. Steen, to me personally known, who, being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. Steen acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Else M. Richardson
Notary Public, In and for
El Paso County, Texas
My commission expires June 1, 1955
(Notarial Seal)

/s/ Else M. Richardson
Notary Public, County of El Paso,
State of Texas

*over
counterfeit*

SECOND AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT, made and entered into on this 1st day of March, A. D. 1955,
by and between R. E. BEANON, whose address is 346 Esperson Building, Houston 2, Texas,
(hereinafter called "Beanon") and EL PASO NATURAL GAS COMPANY, a Delaware corporation,
whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso"),

WITNESSETH:

WHEREAS, Beanon and El Paso made and entered into that certain Oil and Gas Lease
Sale Agreement dated July 6, 1953, recorded in Book 21, Pages 87-90 of the Deed Records
of Rio Arriba County, New Mexico, reference to said agreement and record thereof here
made for all purposes; and

WHEREAS, said Beanon and El Paso modified and amended said agreement by that
certain Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954, to provide
that said agreement cover and include one additional lease and tract of land not
described and set forth in said original Oil and Gas Lease Sale Agreement, and

WHEREAS, Beanon and El Paso desire to modify and amend the Oil and Gas Lease
Sale Agreement dated July 6, 1953, as amended one time previously, by this Second
Amendment of Oil and Gas Lease Sale Agreement to amend and modify the obligations of
El Paso to take such volumes of gas or, failing to take such volumes, to make payment
to Beanon for deficiencies in volumes taken and to provide a new basis for later
recovery of volumes of gas paid for but not taken by El Paso:

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements
herein contained, and other good and valuable consideration, the full receipt and
sufficiency of which are hereby acknowledged and confessed, Beanon and El Paso have
agreed and do agree as follows:

1. The first three lines of Paragraph A of Section 2 of Article III of the original agreement are hereby deleted and, in lieu thereof, the following is substituted:

"Paragraph A. An overriding royalty on Beamon's interest in all gas produced and saved from wells not committed to a unit area located on the subject lands being sold herein and as to wells committed to a unit agreement, an overriding royalty on Beamon's interest in all gas produced and saved (except gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved), from or allocated to leases in units in which the said leases and subject lands have been or hereafter are committed as follows:"

2. Section 2 of Article V of the original agreement is hereby deleted and, in lieu thereof, the following is substituted:

"Section 2 - El Paso agrees to pay to Beamon at Houston, Texas, on or before the twenty-fifth (25th) day of each month, the overriding royalties reserved by Beamon in Paragraphs A and B of Section 2 of Article III herein applicable to the minimum quantities of gas required to be taken by El Paso under the provisions of Section 1 of Article VII herein during the preceding calendar month and the overriding royalties reserved by Beamon under Paragraph D of Section 2 of Article III herein applicable to the gas produced and saved from or allocated to the subject leases during the preceding calendar month. El Paso shall on or before the twenty-fifth (25th) day of February next following the close of each calendar year submit to Beamon an accounting of the gas produced and saved from or allocated to the subject leases during the preceding calendar year as compared to the minimum quantities required to be taken during such preceding calendar year. If the quantities paid for shall exceed the quantities actual

taken, the volume of prepaid gas shall be computed to be recovered as specified in Section 1(b) of article VII. If the quantities taken shall exceed the quantities paid for, then such excess shall be credited to recovery of any prepaid gas. When all prepaid gas has been recovered by El Paso, payment for quantities taken in excess of the quantities paid for shall be made by El Paso to Reason concurrently with the accounting. Should El Paso fail to pay any amount due to Reason as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of six per cent (6%) per annum from the due date or dates until the date of payment thereof."

3. Section 1 of Article VII of the original agreement is hereby deleted and, in lieu thereof, the following is substituted:

Section 1 -

a. El Paso agrees that, as soon as reasonably possible, but not exceeding ninety (90) days after the date of closing herein provided for, it will commence and continue taking gas produced from wells now existing or which may be hereafter completed on the tracts of land covered by leases being sold to it hereunder, and shall take the following minimum quantities of gas, subject to the ability of the wells to produce said quantities under the rules and regulations of governmental authorities having jurisdiction thereof:

Don Mesa Verde and Actured Cliffs wells:

(1) not committed to a unit agreement, an amount each day equal to twenty-five per cent (25%) of aggregate open flow potential of all such wells on an eighty per cent (80%) load factor, averaged annually;

(2) committed to a unit agreement, an amount each day equal to the portion of the "total requirements to take gas from the unit", as such term is hereinafter defined, allocated to the leases covered by this agreement, averaged annually.

Whenever the production of gas from any such wells not committed to a unit agreement is subject to proration under regulations or orders of governmental authority

having jurisdiction, ninety per cent (90%) of the allowable for each such well shall be substituted for the amount specified in subparagraph 1 above as El Paso's requirement to take gas, provided, however, should the allowable assigned to any well exceed that well's actual producing ability, then such actual producing ability shall be substituted for that well's allowable when computing El Paso's requirement to take gas. The term "total requirement to take gas from the unit" as used herein shall be determined on a unit basis by totaling for all wells in the unit, whether or not on the acreage or leases assigned to El Paso by Beamon, ninety per cent (90%) of their respective allowables (or when appropriate as provided in the next paragraph hereof either twenty-five per cent (25%) of the aggregate open flow potential on an eighty per cent (80%) load factor or the actual producing ability of the well) with the amount so determined being then reduced to Beamon's net unit working interest.

Whenever the production of gas from any wells committed to a unit agreement is not subject to proration, then the total requirement to take gas from the unit shall be computed by obtaining the sum of twenty-five per cent (25%) of the aggregate open flow potentials of all such nonprorated unit wells on an eighty per cent (80%) load factor, averaged annually. Whenever the production of gas from any wells committed to a unit agreement is subject to proration, the total requirement to take gas from the unit shall be computed by obtaining the total of ninety per cent (90%) of the allowables for each well, provided, however, should the allowable assigned to any well exceed that well's actual producing ability, then such actual producing ability shall be substituted for ninety per cent (90%) of that well's allowable when computing the total requirement to take gas from the unit.

Gas used in the unit, sold as drilling gas or disposed of in any manner except by pipeline purchase shall not be considered in the computations made under this paragraph a.

b. El Paso shall not be required under any provisions of this agreement to take or purchase gas from any well at a wellhead working pressure of less than 100 psig. In lieu of taking the minimum quantities of gas required by this Section 1, El Paso may pay to Deason in cash all amounts which would have been due to Deason hereunder had such quantities been taken. Any gas paid for by El Paso but not taken during any year by virtue of the minimum take or pay provisions hereof may be taken by El Paso from the subject lands at any time thereafter out of any production in excess of the minimum quantities above provided for during the period or periods in which such quantities are being made up. Quantities taken during any year in excess of the monthly minimum requirement may be applied against past deficiencies but not against deficiencies which may occur in the future.

In the determination for each well of the monthly minimum quantities to be taken (or paid for whether taken or not) as provided under the provisions of Section 1 of Article VII, such minimum quantities, to the extent production and delivery of gas from such well was not possible because of force majeure or other causes herein specified, shall be reduced in the proportion that the number of days that production was suspended by force majeure or other causes herein specified bears to the number of days within such month. No reduction in allowables for force majeure or other causes herein specified shall be allowed for any period of time in excess of the time necessary to have the inability to produce and deliver remedied with reasonable dispatch.

As to all wells covered hereunder where El Paso is or may hereafter be the operator, El Paso agrees that it will use the diligence of a reasonably prudent operator to manage, operate and produce such wells in a manner which will reduce to a minimum the time during which such wells are unable to produce and deliver the quantities of gas allowed by law.

The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of the government, either Federal or state, civil or military, civil disturbances, explosions, breakage or accidents to the lines of pipe used to accomplish delivery hereunder, inability of any party hereto to obtain necessary materials, supplies, or permits, due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both Federal and state), including both civil and military, or inability of any purchaser or purchasers of gas from the subject lands to receive gas by reason of force majeure affecting such purchaser or purchasers, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by agreeing to the demands of the opposing party when such course is inadvisable in the sole discretion of the party having the difficulty."

In all other respects, said original oil and Gas Lease Sale Agreement as heretofore and hereby modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated.

ATTEST:

Al Martin
Assistant Secretary

R. H. Beamon
R. H. Beamon
THE WSO NATURAL GAS COMPANY
J. F. [Signature]
Vice-President
PRT

THIRD AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT, made and entered into on this 5th day of AUGUST, 1958, by and between R. E. BEAMON, an individual, whose address is 346 Esperson Building, Houston 2, Texas, (hereinafter called "Beamon"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso"),

W I T N E S S E T H:

WHEREAS, Beamon and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 21, Pages 57-70, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement by that certain Second Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Beamon for deficiencies in volumes taken

and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Beamon and El Paso desire to modify and amend the Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended two times previously, by this Third Amendment of Oil and Gas Lease Sale Agreement to (1) provide for the sale by Beamon to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso therein to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on subject lands, and (4) delete all "take-or-pay" provisions contained therein and substitute in lieu thereof El Paso's obligation to connect each commercial gas well drilled and completed on the subject land;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreement herein contained and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Beamon and El Paso have agreed and do agree as follows:

1. Beamon agrees to sell and deliver, and El Paso agrees to take and pay for all of Beamon's interest in one (1) gas well, described as the Rincon Unit #84, producing from the Mesaverde Formation lying in and under the NE/4 of Section 26, Township 27 North, Range 7 West, N.M.P.M., together with the well structure, casing, fittings, appurtenances and personal property located on the premises and attached to or used in connection with such well. Beamon

and El Paso agree that the gas produced from said well is hereby subjected to the terms of the Oil and Gas Lease Sale Agreement dated July 6, 1953, as heretofore amended.

El Paso shall pay to Beamon in cash an amount equal to Eighty-five Thousand Dollars (\$85,000.00) for the well; provided, however, if Beamon does not own all of the well, the purchase price shall be reduced proportionately. Beamon shall execute such instruments as shall be necessary to transfer Beamon's interest in said well to El Paso, and El Paso shall make payment of the cash consideration therefor at El Paso, Texas, on August 1, 1958, or at such other time and place as may be agreed upon by the parties, it being understood, however, that notwithstanding such date, El Paso shall be responsible for all costs and shall own all production from such well beginning July 1, 1958.

Beamon will make and prosecute any applications required by the Federal Power Commission to permit (1) the termination of Gas Purchase Contract dated January 22, 1958, between R. E. Beamon and El Paso Natural Gas Company, by the terms of which El Paso is purchasing the gas produced from the Rincon Unit No. 84 Well, and (2) the sale of such well to El Paso.

2. Sections 4, 12, 13 and 14 of Article I of the original Agreement are hereby deleted, and in lieu thereof, the following is substituted:

"Section 4. The term 'gas' shall mean natural gas, casinghead gas and all contents thereof not included within the definition of oil set forth in Section 14. below.

"Section 12. The term 'gas well' shall mean any well which is or would be classified as a gas well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

"Section 13. The term 'oil well' shall mean any well which is or would be classified as an oil well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

"Section 14. The term 'oil' shall mean crude oil and liquid hydrocarbons having a gravity of 50 or less degrees A.P.I. which exist in a liquid phase in a reservoir and which can be recovered at the well by use of conventional separators and in a manner consistent with usual and ordinary oil and gas field production practices."

3. Paragraph A. of Section 2. of Article III of the original Agreement as heretofore amended by the said Second Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, is hereby deleted, and, in lieu thereof, the following is substituted:

"Paragraph A.1. An overriding royalty on Beamon's interest in all gas produced and saved from gas wells not committed to a unit area located on the subject lands being sold herein and, as to gas wells committed to a unit agreement, an overriding royalty on Beamon's interest in all gas produced and saved (except gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved), from unit land and allocated to subject

lands in units in which said leases and subject lands have been or hereafter are committed as follows:

- "(1) 5¢ per mcf on all gas produced and saved during the period beginning January 4, 1954, and ending May 1, 1957.
- "(2) 6¢ per mcf on all such gas produced and saved during the period beginning May 1, 1957, and ending September 1, 1960.
- "(3) 7¢ per mcf on all such gas produced and saved during the period beginning September 1, 1960, and ending January 1, 1964.
- "(4) 8¢ per mcf on all such gas produced and saved during the period beginning January 1, 1964, and ending January 1, 1965.
- "(5) 9¢ per mcf on all such gas produced and saved during the period beginning January 1, 1965, and ending January 1, 1968.
- "(6) 10¢ per mcf on all such gas produced and saved during the period beginning January 1, 1968, and ending January 1, 1969.
- "(8) Not less than 10¢ per mcf on all such gas produced and saved after January 1, 1969.

"2. An overriding royalty on Beamon's interest in all casing-head gas produced and saved from oil wells not committed to a unit area on the subject lands being sold herein and, as to oil wells committed to a unit agreement, an overriding royalty on Beamon's interest in all casinghead gas produced and saved (except casing-head gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved) from or allocated to leases in units in which the said leases and subject lands have been or hereafter are committed, free and clear of all development and operating costs but subject to their share of mineral ad valorem taxes and taxes on, and measured by such production, as follows:

"(1) Above the top of the Dakota Formation:

"An overriding royalty in the amount of 33-1/3 per cent.

"(2) Below the top of the Dakota Formation:

"An overriding royalty of 25 per cent.

"El Paso shall make payment to Beamon for all casinghead gas produced and saved from the leases being sold herein applicable to Beamon's net interest therein based on the market value at the well-head of such casinghead gas as provided in El Paso's contracts with other producers for the purchase of casinghead gas from the same formation. Payment for all such casinghead gas produced from the Gallup Formation lying in and under subject lands shall be based on the provisions of El Paso's standard contract for the purchase of casinghead gas produced in the Bisti area of New Mexico (a copy of which contract Beamon by the execution of this Agreement acknowledges receipt).

"3. The overriding royalties payable under 1 and 2 of this Paragraph A shall be determined from volumes of gas computed as provided in Paragraph B. of this Article III and shall be in addition to the overriding royalty on extracted liquids described in Paragraph D. of this Article III."

4. The words "but subject to the provisions of Sections 3 and" appearing in lines eight and nine of Paragraph G of Section 2 of Article III of the original Agreement are hereby deleted, and, in lieu thereof, the following is substituted:

"but subject to the provisions of Section"

5. Section 2 of Article V of the original Agreement as heretofore amended by the said Second Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, is hereby deleted, and in lieu thereof, the following is substituted:

"El Paso agrees to pay to Beamon at Houston, Texas, on or before the twenty-fifth day of each month, the overriding royalties reserved by Beamon herein applicable to gas produced and saved from or allocated to the subject land during the preceding calendar month. Should El Paso fail to pay any such amount due to Beamon as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of 6 per cent per annum from the due date or dates until the date of payment thereof."

6. The words "and in such deeper formations in which El Paso may operate hereunder" appearing in lines nine and ten of Section 1 of Article VI of the original Agreement are hereby deleted.

7. Section 3 of Article VI of the original Agreement is hereby deleted, and Section 4 of Article VI is renumbered "Section 3."

8. The last sentence of Section 4 of Article VI of the original Agreement is hereby deleted.

9. Article VII of the original Agreement is hereby amended by deleting the word "MINIMUM" from the title thereof.

10. Section 1. of Article VII of the original Agreement is hereby deleted and, in lieu thereof, the following is substituted:

"Section 1.

"a. El Paso agrees that, as soon as reasonably possible, but

not exceeding forty-five (45) days after the date of completion of each commercial gas well hereafter drilled and completed on the subject lands covered by leases sold to it hereunder, it will connect such well to its gas gathering system and commence and continue taking gas produced therefrom on a ratable basis with all other wells connected to El Paso's pipelines which are producing from the same pool as said well on subject lands. The term 'date of completion' as used herein shall mean the date on which the deliverability test required by the State of New Mexico as to any gas well is finished. Any period of time during which adverse weather conditions or inability to acquire right-of-way shall prevent El Paso from working upon such connection shall be added to the forty-five (45) days for making well connections.

"b. Failing to connect any commercial gas well on subject lands within the time required by Section 1. a. of this Article, El Paso shall pay to Beamon the sum of Two Hundred and Fifty Dollars (\$250.00) for each month or fraction thereof in excess of forty-five (45) days during which such well is not connected as liquidated damages resulting to Beamon by reason of such failure; provided, that in any instance where Beamon does not own all of a particular well, the payment shall be reduced proportionately."

11. The second sentence of Section 1 of Article XIV of the original Agreement is hereby deleted.

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated to become effective June 30, 1958.

WITNESS:

Walter Lawrence

R. E. BEAMON

By: R E Beamon

ATTEST:

A C Martel
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: H. P. [Signature]
Vice President PORT

THE STATE OF TEXAS |
COUNTY OF Garza |

The foregoing instrument was acknowledged before me this 5th day of August, 1958, by R. E. BEAMON.

WITNESS my hand and official seal.

My Commission Expires:
June 1, 1959

Walter Lawrence
Notary Public in and for Garza County, Texas

THE STATE OF TEXAS |
COUNTY OF EL PASO |

The foregoing instrument was acknowledged before me this 14 day of August, 1958, by H. P. STEFF, Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:
M. B. IVEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

M B Ivey
Notary Public in and for El Paso County, Texas

El Paso Natural Gas Company

El Paso, Texas

March 9, 1959

Amendment #7 to GLA 76
Amendment #4 to GLA 77 ✓
Amendment #1 to GLA 348
Amendment #1 to GLA 350

Texas National Petroleum Company
902 South Coast Building
Houston 2, Texas

Mr. R. E. Beamon
1303 Esperson Building
Houston 2, Texas

Gentlemen:

This letter, when accepted by you in the space provided below, will constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 6, 1953, as previously amended, which agreements are recorded respectively in Book 16, Page 489, and Book 21, Pages 57-70 of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements, as amended, and the record thereof is here made for all purposes.

This letter will also constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, which agreements are recorded respectively in Book _____, Page _____, and Book _____, Page _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements and the record thereof is here made for all purposes.

You agree that the Pictured Cliffs and Mesaverde development obligations imposed upon El Paso Natural Gas Company under the aforesaid Oil and Gas Lease Sale Agreements dated July 6, 1953, as amended, are extended from July 4, 1961 and August 8, 1961 until December 31, 1962. You grant this extension of time in consideration for our agreeing to drill on the lands subject to said agreements, eight (8) wells during the calendar year 1959 to test the Dakota Formation (which wells may be dually completed in shallower producing sands).

Texas National Petroleum Company
Mr. R. E. Beamon

March 9, 1959

We agree that the development obligations imposed upon us under the aforesaid Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, are shortened by one year, or until July 1, 1960.

It is understood that in all other respects, the above described Oil and Gas Lease Sale Agreements as heretofore amended, and as herein modified, will remain unchanged and in full force and effect.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Arnold P. Howell
Attorney in Fact

ACCEPTED AND APPROVED THIS 20

DAY OF March, 1959.

TEXAS NATIONAL PETROLEUM COMPANY

By L. H. Thompson
Vice President

EL PASO NATURAL GAS PRODUCTS COMPANY

By Roland L. Hamilton

ACCEPTED AND APPROVED THIS 20th

DAY OF July, 1959.

R. E. Beamon
R. E. BEAMON

FIFTH AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

44-77

THIS AMENDMENT, made and entered into on this 8th day of September, 1959, by and between R. E. BEAMON, an individual, whose address is 1303 Esperson Building, Houston 2, Texas, (hereinafter called "Beamon"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter called "El Paso");

W I T N E S S E T H:

WHEREAS, Beamon and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 21, Pages 57-70, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement by that certain Amendment of Oil and Gas Lease Sale Agreement dated February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement by that certain Second Amendment of Oil and Gas Lease Sale Agreement dated March 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Beamon for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement by that certain Third Amendment of Oil and Gas Lease Sale Agreement dated August 5, 1958, to (1) provide for the sale by Beamon to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement, and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement by that certain Fourth Amendment of Oil and Gas Lease Sale Agreement dated March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Beamon and El Paso desire to amend and modify the Oil and Gas Lease Sale Agreement dated July 6, 1953, as amended four times previously, by this Fifth Amendment of Oil and Gas Lease Sale Agreement to (1) redefine the term "date of completion," as the same appears in Section 1. a. of Article VII of said Agreement, (2) provide for the "workover"

of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, (4) provide for the treatment of a well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for each commercial gas well drilled and completed on lands covered by said Agreement;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged and confessed, Beamon and El Paso have agreed and do agree as follows:

1. Section 1. a. of Article VII of the original Agreement, as heretofore amended and/or modified, is hereby amended and modified, as follows:

a. The word "deliverability" is deleted from the second sentence of the first paragraph thereof and there is substituted, in lieu thereof, the words "initial potential."

b. The following paragraphs are added after the first paragraph thereof:

"It is agreed by Beamon and El Paso that El Paso has the right to workover any well or wells covered by this Agreement which in El Paso's sole judgment may require such treatment. El Paso shall not be obligated to take gas from any such well or wells during the

period of time workover operations are being conducted.

The term "date of completion," when applied to a well drilled and completed as a dual well under the terms of this Agreement, shall mean the date on which the initial potential test required by the State of New Mexico as to any gas well is finished as to the zone or horizon in which the well was last completed."

2. Section 1. b. of Article VII of the original Agreement, as heretofore amended and/or modified, is hereby amended by deleting the period appearing at the end of the first paragraph thereof and adding to the paragraph the following:

" ; and, provided further, that for purposes of this Section 1. b. any well drilled and completed as a dual well under the terms of this Agreement shall be considered as two wells."

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby amended and modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated to become effective January 1, 1959.

WITNESS:

[Handwritten Signature]

R. E. BEAMON

By: *[Handwritten Signature]*

EL PASO NATURAL GAS COMPANY

ATTEST:

By:

Ben R. Howell

~~Vice President~~
ATTORNEY-IN-FACT

~~Assistant Secretary~~

THE STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me
this 8th day of SEPTEMBER, 1959, by R. E.
BEAMON.

WITNESS my hand and official seal.

Notary Seal

Notary Public in and for
HARRIS County
Texas

My Commission Expires:

6-1-61

THE STATE OF TEXAS

COUNTY OF EL PASO

The foregoing instrument was acknowledged before me
this 26 day of October, 1959, by
Ben R. Howell, Vice President of EL PASO
NATURAL GAS COMPANY, a Delaware corporation, on behalf of said
Corporation.

WITNESS my hand and official seal.

M. B. Luey
Notary Public in and for
El Paso County, Texas

My Commission Expires:

M. B. LUEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1961

AMENDMENT TO OIL AND GAS LEASE SALE AGREEMENTS
Dated July 6, 1953

Amendment No. 9 to GLA-76
Amendment No. 6 to GLA-77 ✓

THIS AGREEMENT, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"); and TEXAS NATIONAL PETROLEUM COMPANY, a Delaware corporation, whose address is 902 South Coast Building, Houston 2, Texas, (hereinafter referred to as "Texas National"); and ROBERT BEAMON, Independent Executor of the Will and Estate of R. E. Beamon, deceased, successor to the interests of R. E. Beamon, whose address is 1303 Esperson Building, Houston 2, Texas, (hereinafter referred to as "Executor of the Estate of R. E. Beamon, deceased"); A. V. JONES, whose address is Post Office Box 787, Albany, Texas (hereinafter referred to as "Jones"); W. C. McMAHAN, whose address is Post Office Box 631, Houston 1, Texas (hereinafter referred to as "McMahan"); and HOMER R. STASNEY, whose address is Post Office Box 307, Albany, Texas, (hereinafter referred to as "Stasney");

W I T N E S S E T H :

WHEREAS, Johnston Oil and Gas Company and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 16, page 489, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on January 4, 1954, to provide

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that said Agreement covered and included three additional leases and tracts of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Johnston Oil and Gas Company and El Paso modified and amended said Agreement on May 1, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas National is the surviving corporation of a merger between Johnston Oil and Gas Company and Texam Oil and Gas Company, and Texas National has succeeded to all rights, privileges and obligations formerly held or imposed upon Johnston Oil and Gas Company; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on May 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Texas National for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on November 9, 1956, to provide that said Agreement

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covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on July 29, 1958, to (1) provide for the sale by Texas National to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement, and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Texas National and El Paso modified and amended said Agreement on September 18, 1959, to (1) redefine the term "date of completion" as the same appears in Section 1.1.a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, and (4) provide for the treatment of a well drilled

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and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for failure to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, R. E. Beamon and El Paso made and entered into that certain Oil and Gas Lease Sale Agreement dated July 6, 1953, recorded in Book 21, pages 57-70, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on February 24, 1954, to provide that said Agreement covered and included one additional lease and tract of land not described and set forth in said original Oil and Gas Lease Sale Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on March 1, 1955, to provide for the obligations of El Paso to take said volumes of gas or, failing to take such volumes, to make payment to Beamon for deficiencies in volumes taken and to provide a new basis for later recovery of volumes of gas paid for but not taken by El Paso; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on August 5, 1958, to (1) provide for the sale by Beamon to El Paso of one gas well producing from the Mesaverde Formation and to subject the gas produced from such well to the terms of said Agreement, (2) amend and modify the meaning of certain terms defined therein, (3) delete all reference to the right reserved by El Paso in said Agreement to explore for, produce and remove gas from zones and/or formations below the Mesaverde Formation on lands covered by said Agreement,

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and (4) delete all "take-or-pay" provisions contained in said Agreement and substitute, in lieu thereof, El Paso's obligation to connect each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, said Beamon and El Paso modified and amended said Agreement on March 9, 1959, to provide for the extension of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, Beamon and El Paso modified and amended said Agreement on September 8, 1959, to (1) redefine the term "date of completion," as the same appears in Section 1.a. of Article VII of said Agreement, (2) provide for the "workover" of any well covered by said Agreement, (3) redefine the term "date of completion" as the same applies to a well drilled and completed as a dual well under said Agreement, (4) provide for the treatment of a well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for each commercial gas well drilled and completed on lands covered by said Agreement; and

WHEREAS, R. E. Beamon died April 24, 1961, and Robert Beamon is the duly appointed and qualified Independent Executor of the Will and Estate of R. E. Beamon, deceased, and has succeeded to all rights of R. E. Beamon, deceased, in said contracts, and has full authority to enter into this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter stipulated and covenanted to be kept and performed by the parties hereto and in further consideration of the

sum of Fifty Thousand Dollars (\$50,000.00) to Texas National, Seven Thousand Seven Hundred Ninety-three Dollars (\$7,793.00) to the Executor of the Estate of R. E. Beamon, deceased; One Thousand Six Hundred Ninety-five Dollars (\$1,695.00) jointly to Jones, McMahan and Stasney, cash in hand paid by El Paso, the receipt whereof is hereby confessed and acknowledged, Section 2 of Article VI of the agreements hereinafter referred to as Oil and Gas Lease Sale Agreements, is hereby modified and amended to read as follows:

2. Subsequent to the closing and assignment to El Paso of said leases the parties, by mutual agreement, divided the subject lands into drilling units containing approximately 320 acres for Mesaverde wells and 160 acres for Pictured Cliffs wells. A portion of the subject lands has been committed to the Rincon Unit Agreement, which is a conventional type Federal unit providing for determination of participating areas by geological inference and substantially all the remaining lands have been committed to the San Juan 28-6 Unit Agreement, which is a "drilling block" type unit agreement providing for inclusion of drilling blocks containing approximately 320 producing acres within the participating area for the producing formation. Any subject lands that are undeveloped as of June 1, 1961, (by drilling a well to the Mesaverde Formation on a 320-acre drilling unit and by drilling a well to the Pictured Cliffs Formation on a 160-acre drilling unit) shall be developed or reassigned as follows:

a) El Paso agrees to drill to the Pictured Cliffs Formation twelve (12) wells on subject acreage or on acreage pooled with subject acreage prior to December 31, 1962.

b) As to any undeveloped Mesaverde drilling unit lying within the Rincon Unit admitted to the Rincon Unit Mesaverde Participating Area on or before December 31, 1962, the drilling unit shall be considered as developed acreage in the same manner as if a Mesaverde well had been drilled thereon, and as to any undeveloped Mesaverde drilling unit lying outside the Rincon Unit, El Paso shall drill a well to the Mesaverde Formation on each such Mesaverde drilling unit prior to December 31, 1962, or shall reassign as their interests may appear, upon request of Texas National and/or the Executor of the Estate of R. E.

Beamon, deceased, all El Paso's gas operating rights in and to such drilling unit, retaining any commercial gas well completed thereon in a shallower or deeper formation and the gas operating rights in the producing formation; and

c) Any undeveloped Pictured Cliffs drilling unit which is included in the San Juan 28-6, San Juan 28-7, Huerfano, Canyon Largo or Rincon Unit Pictured Cliffs Participating Areas on or before December 31, 1962, shall be considered as developed acreage in the same manner as if a Pictured Cliffs well had been drilled thereon, provided that a direct commercial offset Pictured Cliffs gas well drilled after June 1, 1961, upon the perimeter acreage as hereinafter described shall require El Paso to drill or reassign as hereinafter specified.

El Paso agrees to protect against offset drilling on perimeter acreage, which immediately adjoins portions of the subject acreage and which is described as follows, to wit:

Township 27 North, Range 5 West, N.M.P.M.

Section 6: W/2
Section 7: W/2
Section 18: W/2
Section 19: W/2
Section 30: W/2
Section 31: W/2

Township 27 North, Range 6 West, N.M.P.M.

Section 33: N/2
Section 34: N/2
Section 35: N/2

As of June 1, 1961, the perimeter acreage (with the exception of the N/2 of Section 33, Township 27 North, Range 6 West which has not been developed in the Pictured Cliffs Formation) has been developed in the Pictured Cliffs Formation by completion of one (1) well in each 320-acre drilling block. In the event that operators of such perimeter shall complete a second commercial gas well in the Pictured Cliffs Formation on any 320-acre drilling block of perimeter acreage then El Paso shall commence within ninety (90) days after first production therefrom and drill to the Pictured Cliffs Formation on the 160-acre Pictured Cliffs drilling unit directly offsetting the newly completed well.

In the event that development hereafter in the area of or adjacent to any undeveloped Mesaverde or Pictured Cliffs drilling unit shall evidence that such drilling unit shall not be productive of gas in commercial quantities in the

formation applicable to such drilling unit as above specified and for such reason El Paso shall not desire to drill such well thereon, then El Paso shall promptly offer to reassign any such drilling unit to Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, and thereupon shall be relieved of its obligation to drill a test well to the applicable formation, it being understood that if Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, does not desire to have said drilling unit reassigned to it, such acreage may be released upon mutual consent of El Paso and Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear; provided that El Paso may retain any commercial gas well completed thereon in a shallower or deeper formation, together with its rights in such drilling unit in such shallower or deeper formation. This provision shall not relieve El Paso of its obligation to drill twelve (12) Pictured Cliffs wells prior to December 31, 1962. In the event the operation of any well heretofore or hereafter drilled shall become unprofitable, then El Paso shall have the option upon sixty (60) days notice to reassign to Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, such well and gas operating rights in the unit upon which such gas well is situated, and in such event Texas National and/or the Executor of the Estate of R. E. Beamon, deceased, as their interests may appear, shall sell and El Paso shall buy gas produced therefrom at the price paid by El Paso for gas produced from the same formation in the San Juan Basin.

IT IS UNDERSTOOD AND AGREED that this Amendment and Modification shall in no way affect and change any previously executed amendment and shall be effective as of the date of the execution of this Amendment and shall, in all ways, be in substitution for Section 2 of Article VI of the Agreements hereinbefore mentioned.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals this 5th day of July, 1961.

EL PASO NATURAL GAS COMPANY
By Sam L. Howell
Attorney in Fact

ATTEST:

[Signature]
Assistant Secretary

TEXAS NATIONAL PETROLEUM COMPANY

By [Signature]
Vice President

[Signature]
Robert Beamon, Independent
Executor of the Estate of
R. E. Beamon, Deceased.

[Signature]
A. V. Jones

[Signature]
W. C. McMahan

[Signature]
Homer R. Stasney

STATE OF TEXAS
COUNTY OF EL PASO

The foregoing instrument was acknowledged before me this 5 day of July, 1961, by BEN R. HOWELL, Attorney in Fact for El Paso Natural Gas Company, a Delaware corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission expires:
M. B. IVEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1963

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 11th day of July, 1961, by L. C. OLDHAM, JR., VICE President of Texas National Petroleum Company, a Delaware corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission expires:
6 / 1 / 63

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of July, 1961, by Robert Beamon, Independent Executor of the Estate of R. E. Beamon, Deceased.

[Signature]
Notary Public

My Commission expires:

June 1, 1963

STATE OF TEXAS
COUNTY OF SHACKELFORD

The foregoing instrument was acknowledged before me this 22nd day of July, 1961, by A. V. Jones.

[Signature]
Notary Public

My Commission expires:

6-1-62

STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 14th day of July, 1961, by W. C. McMahan.

[Signature]
Notary Public

My Commission expires:

June 1, 1962

STATE OF TEXAS
COUNTY OF SHACKELFORD

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The foregoing instrument was acknowledged before me this 22nd day of July, 1961, by Homer R. Stanney.

[Signature]
Notary Public

My Commission expires:

6-1-63

OIL AND GAS LEASE SALE AGREEMENT

dated

July 29, 1958

between

EL PASO NATURAL GAS COMPANY

and

EL PASO NATURAL GAS PRODUCTS COMPANY

and

TEXAS NATIONAL PETROLEUM CO., ET AL

G.L.A. 348
O.L.A. 12

OIL AND GAS LEASE SALE AGREEMENT

THIS AGREEMENT is made and entered into this 29th day of July, 1958, by and between TEXAS NATIONAL PETROLEUM CO., a Delaware corporation, whose mailing address is 902 South Coast Life Building, Houston 2, Texas, W. C. McMAHAN and wife, BERYL B. McMAHAN, whose mailing address is ~~1923 Bank of the Southwest Building, Houston 1, Texas~~ ^{P.O. Box 631}, Texas, A. V. JONES and wife, NELLIE JONES, whose mailing address is Albany, Texas, and HOMER R. STASNEY and wife, ESKA GAGE STASNEY, whose mailing address is Albany, Texas, (hereinafter collectively referred to as "Texas"), EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"), and EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas corporation, whose mailing address is Post Office Box 1161, El Paso, Texas, (hereinafter referred to as "Products Company"),

W I T N E S S E T H:

WHEREAS, pursuant to Oil and Gas Lease Sale Agreement dated July 6, 1953, between Johnston Oil and Gas Company and El Paso Natural Gas Company, as heretofore amended by six Amendments of Oil and Gas Lease Sale Agreement dated January 4, 1954, February 24, 1954, May 1, 1954, March 1, 1955, November 9, 1956, and July 29 1958, respectively, (hereinafter referred to as "Original Agreement"), and Oil and Gas Lease Sale Agreement dated July 6, 1953, between R. E. Beamon and El Paso Natural Gas Company, as heretofore amended

by three Amendments of Oil and Gas Lease Sale Agreement dated February 24, 1954, March 1, 1955, and _____, 1958, respectively, El Paso is the owner of the gas rights from the surface to the base of the Mesaverde Formation in those certain oil and gas leases covering lands located in San Juan and Rio Arriba Counties, New Mexico, (hereinafter referred to as "said leases" and "subject lands"), which said leases covering subject lands are described in Exhibit "1" attached hereto and made a part hereof, and the production of gas from the surface to the base of the Mesaverde Formation lying in and under subject lands is subject to all of the terms and provisions of said Original Agreement; and

WHEREAS, pursuant to said Original Agreement, Texas is the owner of certain interests in oil to all depths and gas below the base of the Mesaverde Formation in said leases covering subject lands, as described in Exhibit "1" attached hereto; and

WHEREAS, certain of subject lands and oil and gas leases covering subject lands have been committed to and are subject to the terms and provisions of the Rincon Unit Agreement dated June 1, 1951, Huerfano Unit Agreement dated July 29, 1949, San Juan 28-6 Unit Agreement dated May 27, 1953, San Juan 28-7 Unit Agreement dated November 18, 1952, Blanco Development Contract (No. 1) dated November 28, 1951, and Blanco Development Contract No. 5 dated December 10, 1956, as specified in said Exhibit "1", and all obligations for the development of oil and gas are governed by the applicable provisions of said Unit Agreements and Development Contracts insofar as said Unit Agreements and Development Contracts

apply to subject lands and oil and gas leases covering subject lands which are committed thereto; and

WHEREAS, Texas desires to sell and El Paso desires to buy all of Texas' interest, as such interest is hereinafter defined, in said leases to explore for, produce and market gas and gas liquids from zones and/or formations below the base of the Mesaverde Formation lying in and under subject lands, for the considerations and upon the terms and conditions hereinafter provided; and

WHEREAS, Texas desires to sell and Products Company desires to buy all of Texas' interest in said leases to explore for, produce and market oil from subject lands, for the considerations and upon the terms and conditions hereinafter provided;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the receipt and sufficiency of which are mutually confessed, Texas, El Paso and Products Company agree as follows:

ARTICLE I

Definitions

The following definitions shall be applicable to this Agreement:

The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven (7) o'clock a.m. Mountain Standard Time.

The term "month" shall mean a period commencing at seven (7) o'clock a.m. Mountain Standard Time on the first day of any calendar month and ending at seven (7) o'clock a.m. Mountain Standard Time on the first day of the next succeeding calendar month.

The term "year" means a period of twelve (12) months beginning at seven (7) o'clock a.m. Mountain Standard Time on the first day of January of any calendar year and ending at seven (7) o'clock a. m. on the first day of January of the next succeeding calendar year.

The term "oil" shall mean crude oil and liquid hydrocarbons having a gravity of 50 or less A.P.I. which exist in a liquid phase in a reservoir and which can be recovered at the well by use of conventional separators and in a manner consistent with usual and ordinary oil and gas field production practices.

The term "gas" shall mean natural gas, casinghead gas and all contents thereof not included within the foregoing definition of oil.

The term "oil well" shall mean any well which is or would be classified as an oil well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

The term "gas well" shall mean any well which is or would be classified as a gas well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

The term "lease" means the conventional gas lease or oil and gas lease under which the lessee has the right to produce and market gas (except casinghead gas in some cases) and/or oil and gas from the lands covered thereby, the life of which is for a stated number of years and as long thereafter as oil or gas is produced in paying quantities, and the term "lease" shall also include applications for leases, options to acquire leases and agreements entitling one party to dispose of gas produced from leases.

The term "Texas' interest" means the percentage or net interest owned by Texas in leases after deducting royalties, overriding

royalties carried and other interests in oil and gas encumbering said interest.

The term "mcf" means one thousand (1,000) cubic feet.

The term "PSIG" means pounds per square inch gauge.

The term "open flow capacity" means the ability or capacity of a natural gas well to produce natural gas for a period of twenty-four (24) hours as determined by the most recent open flow test conducted by the parties hereto by flowing the well wide open against no back pressure for a period of six (6) consecutive hours after it has been shut in for a period of at least seventy-two (72) consecutive hours, and computing the open flow capacity from center impact readings taken by means of a Pitot tube in accordance with the Walter Reid formula or conducted in such other manner as may be agreed upon between the parties.

The term "subject lands" means all lands covered by Texas' leases as described in Exhibit "1" hereof.

The term "overriding royalty" as applied to Texas' interest in gas means the right to receive a certain portion of production or payment out of production free and clear of any cost, expense, charge, deduction or tax levied on production, severance or transportation.

ARTICLE II

Leases Being Sold

Texas represents and warrants that it owns or has the right to acquire the percentage of the production of oil to all depths and gas below the base of the Mesaverde Formation lying in and

under subject lands covered by said leases more fully shown and described in Exhibit "1" hereto, subject to the provisions of Article III hereof, and El Paso and Products Company shall not be required to examine Texas' title to said leases; provided, however, that immediately after execution of this Agreement, Texas shall furnish to Products Company for its files copies of all Texas' records concerning oil operations applicable to said leases.

Subject to the terms and provisions of this Agreement, Texas agrees to sell and deliver to El Paso, and El Paso agrees to purchase from Texas and pay for the entire working interest of Texas, free and clear of liens, but subject to the terms of Gas Purchase Contracts dated December 16, 1953, (covering the Rincon Unit No. 1 well described hereinbelow) and Gas Purchase Contract dated January 22, 1958, (covering the Rincon Unit No. 57 well described hereinbelow) between El Paso and Johnston and El Paso and Texas, respectively, providing for the sale of gas produced therefrom, as and in the manner hereinafter set forth, in each and all of said leases covering subject lands insofar as such interest pertains to the right to explore for and produce gas from zones and/or formations below the base of the Mesaverde Formation.

Subject to the terms and provisions of this Agreement, Texas agrees to sell and deliver to Products Company, and Products Company agrees to purchase from Texas and pay for the entire interest of Texas, free and clear of liens and in the manner hereinafter set forth, in each and all of the said leases covering subject lands insofar as such interest pertains to the right to explore for and to produce oil from all depths.

The sale of leases provided for above shall include not only the said leases of Texas, but also Texas' interest in two (2) gas wells sold to El Paso hereunder producing from the Dakota Formation (described as the Rincon Unit Nos. 1 and 57 located in the SE/4 of Section 30, Township 27 North, Range 6 West, N.M.P.M., and the NE/4 of Section 1, Township 26 North, Range 7 West, N.M.P.M., respectively), three (3) oil wells sold to Products Company hereunder producing from the Tocito Formation (described as the Rincon Unit Nos. 6, 11 and 20 and located in the SE/4 SE/4, SE/4 SW/4 and SE/4 NW/4 of Section 6, Township 26 North, Range 6 West, N.M.P.M., respectively), the well structures utilized by Texas in the operation of such wells and all casing, fittings, appurtenances and personal property located on subject lands pertaining to, attached to or used in connection with such wells.

ARTICLE III

Exceptions and Reservations

In the various said oil and gas leases of Texas, assignments thereof and other instruments and documents pertaining thereto, there are excepted and reserved to or assigned for the benefit of the various lessors, assignors and others, certain royalties, overriding royalties and other rights and interest in, to and connected with oil, gas and other minerals produced from and under said leases, reference being here made to all such leases, assignments, instruments and documents for a more particular description of the terms thereof. The obligation of Texas to sell and deliver said leases to El Paso and Products Company hereunder is made

expressly subject to all such royalties, overriding royalties and other rights and interest so excepted, reserved or assigned.

In addition to the overriding royalties and outstanding interests specified in the first paragraph of this Article III, Texas hereby excepts from this Agreement and reserves and retains unto itself and its successors and assigns, or to person(s) whom Texas may designate, on Texas' interest sold hereunder the following:

A.1. An overriding royalty on Texas' interest in all gas produced and saved from gas wells not committed to a unit area located on the subject lands being sold herein and, as to gas wells committed to a unit agreement, an overriding royalty on Texas' interest in all gas produced and saved (except gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved) from unit land and allocated to subject lands in units in which said leases and subject lands have been or hereafter are committed as follows:

- (1) 6¢ per mcf on all such gas produced and saved during the period beginning July 1, 1958, and ending September 1, 1960.
- (2) 7¢ per mcf on all such gas produced and saved during the period beginning September 1, 1960, and ending January 1, 1964.
- (3) 8¢ per mcf on all such gas produced and saved during the period beginning January 1, 1964, and ending January 1, 1965.
- (4) 9¢ per mcf on all such gas produced and saved during the period beginning January 1, 1965, and ending January 1, 1968.

- (5) 10¢ per mcf on all such gas produced and saved during the period beginning January 1, 1968, and ending January 1, 1969.
- (6) Not less than 10¢ per mcf on all such gas produced and saved after January 1, 1969.

2. An overriding royalty on Texas' interest in all casinghead gas produced and saved from oil wells not committed to a unit area on the subject lands being sold herein and, as to oil wells committed to a unit agreement, an overriding royalty on Texas' interest in all casinghead gas produced and saved (except casinghead gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease included) from or allocated to leases in units in which the said leases and subject lands have been or hereafter are committed, free and clear of all development and operating costs but subject to their share of mineral ad valorem taxes and taxes on and measured by such production, as follows:

(1) Above the top of the Dakota Formation:

An overriding royalty in the amount of 33-1/3 per cent.

(2) Below the top of the Dakota Formation:

An overriding royalty of 25 per cent.

El Paso shall make payment to Texas for all casinghead gas produced and saved from the leases being sold herein applicable to Texas' net interest therein based on the market value at the wellhead of such casinghead gas as provided in El Paso's contracts with other producers for the purchase of casinghead gas from the same formation. Payment for all such casinghead gas produced from the Gallup Formation lying in and under subject lands shall be

based on the provisions of El Paso's standard contract for the purchase of casinghead gas produced in the Bisti area of New Mexico (a copy of which contract Texas by the execution of this Agreement acknowledges receipt).

3. The overriding royalties payable under 1. and 2. of this Paragraph A shall be determined from volumes of gas computed as provided in Paragraph B of this Article III and shall be in addition to the overriding royalty on extracted liquids described in Paragraph D of this Article III.

B. The volumes of gas, upon which the overriding royalties described in Paragraphs A and C of this Article III shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix thereto and subsequent amendments and appendices from time to time made. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the subject lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

C. The overriding royalty specified in Paragraph A.1. (6) of this Article III shall in no event be less than the amount stated therein but shall be arrived at as follows: Approximately ninety (90) days prior to January 1, 1969, the parties shall attempt to agree upon the amount of such overriding royalty for the next five-

year period. If the parties agree upon such overriding royalty, then such amount shall be the overriding royalty to be received by Texas hereunder for such period. If the parties cannot agree upon such amount, then such amount shall be determined by a board of arbitrators to be appointed as provided in Article X hereof. The board of arbitrators, in determining the amount of such overriding royalty, shall base their decision on the then value of such gas at the wellhead, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of El Paso's pipelines or gathering systems or of any pipe line system to which any of El Paso's pipelines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amount of such overriding royalty. The overriding royalty reserved by Texas in Paragraph A.1. (6) of this Article III shall be determined for each five-year period after January 1, 1974, in like manner to that provided above for the five-year period next following January 1, 1969, but in no event shall the amount of such overriding royalty be less than 10¢ per mcf.

D. An overriding royalty in the amount of 33-1/3 per cent on Texas' interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from said leases and subject lands being sold herein, free and clear of all development and operating costs, but subject to its share of mineral ad valorem taxes and taxes on and measured by such production. At Texas' option El Paso shall deliver to Texas such overriding royalty in kind or shall pay

to Texas the fair market value thereof in cash; provided, however, that if El Paso shall desire to contract for the sale of any such liquid hydrocarbons over a period of years, it shall notify Texas of the price, terms and conditions of such proposed contract and, within thirty (30) days after the receipt of such notice, Texas shall elect either to join in such contract or to take in kind its share of the liquid hydrocarbons to which such contract relates, for the entire term of such contract. During all periods when liquid hydrocarbons are not recovered or extracted from gas produced from Texas' interest in said oil and gas leases covering subject lands by El Paso in a plant for extraction of such liquids, El Paso shall pay to Texas in cash the estimated value of 33-1/3 per cent of all liquids produced with or contained in gas produced from said leases being sold herein and applicable to Texas' interest therein, regardless of whether such liquids are extracted from the gas. If the parties are unable to agree upon such estimated value, then the amount thereof shall be determined by arbitration as provided in Article X hereof. El Paso agrees that it will endeavor at all times to efficiently operate a plant in the said San Juan Basin for the extraction of such liquids. El Paso agrees to conduct all of its operations in such manner as to reasonably and economically conserve and ultimately recover the maximum amount of liquids reasonably and economically recoverable from said gas.

E. An overriding royalty on Texas' interest in all oil produced and saved from oil wells not committed to a unit area located on the subject lands being sold herein, and as to oil wells committed to a unit agreement, an overriding royalty on Texas' interest

in all oil produced and saved from unit lands and allocated to subject lands in units in which said leases and subject lands have been or hereafter are committed, free and clear of all development and operating costs but subject to their share of mineral ad valorem taxes and taxes on and measured by such production, as follows:

(1) Above the top of the Dakota Formation:

An overriding royalty in the amount of 33-1/3 per cent.

(2) Below the top of the Dakota Formation:

An overriding royalty in the amount of 25 per cent.

At Texas' option Products Company shall deliver to Texas such overriding royalties described in subparagraphs (1) and (2) above in kind; provided, however, that should Texas fail to make such an election, Products Company may from time to time dispose of Texas' share of such oil on a temporary basis and account to Texas therefor at the same price as is received by Products Company for its share of the oil marketed from said leases covering subject lands. Notwithstanding any provisions of this paragraph, Products Company may from time to time purchase Texas' share of the oil produced and saved from said leases covering subject lands, paying the market value at the wellhead therefor prevailing for the field where produced on the date of purchase.

F. Regardless of the depth from which production is obtained, whenever a well is classified as a gas well and the production of oil is incidental to gas production, the overriding royalty payable on Texas' interest in such oil will be 33-1/3 per cent.

G. It is understood that the United States Department of the Interior presently may not approve reservations of the overriding royalties described in this Article III as to federal public domain unless such overriding royalties on any particular lease from which the average production per well per day is, as to oil, fifteen barrels or less, and, as to gas, 500 mcf or less, are converted to a working interest in accordance with the conditions specified in 43 C.F.R. 192.83. It is agreed therefore that Texas shall in the respective assignments to El Paso and Products Company containing its reservation of such overriding royalties on federal public domain provide for the suspension of such overriding royalties during all periods of time, and only during such periods, such section of the Code of Federal Regulations requires such suspension. In the event suspension of the overriding royalties as specified above is required to conform to the provisions of 43 C.F.R. 192.83, then upon such suspension Texas shall receive a working interest producing the same revenue.

ARTICLE IV

Price of Wells

At the time of closing provided for in Article IX hereof, El Paso shall pay to Texas National Petroleum Co. in cash an amount equal to Two Hundred Fifty Thousand Dollars (\$250,000.00) for the two gas wells described in Article II hereof, and Products Company shall pay to Texas National Petroleum Co. in cash an amount equal to One Hundred Fifty Thousand Dollars (\$150,000.00) for the three oil wells described in said Article II. In any instance where

Texas National Petroleum Co. does not own all of a particular well, the purchase price thereof shall be reduced proportionately.

ARTICLE V

Payment of Overriding Royalties

El Paso and Products Company, as to each of their respective interests purchased hereunder only, assume and agree to pay as and when the same shall become due and payable all outstanding royalty, overriding royalty, carried and other interests under leases herein sold applicable to all gas, oil and other hydrocarbons produced and saved by El Paso and Products Company from each of their respective interests purchased hereunder and not delivered in kind to Texas.

El Paso agrees to pay to Texas at Houston, Texas, on or before the twenty-fifth (25th) day of each month, the overriding royalties reserved by Texas herein applicable to gas produced and saved from or allocated to the subject land during the preceding calendar month. Should El Paso fail to pay any such amount due to Texas as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of six per cent (6%) per annum from the due date or dates until the date of payment thereof.

Products Company agrees to pay to Texas at Houston, Texas, on or before the twenty-fifth (25th) day of each month, the overriding royalties reserved by Texas herein applicable to oil produced and saved from or allocated to the subject land during the preceding calendar month. Should Products Company fail to pay any such amount due to Texas and when the same shall become due, then Products Company agrees to pay interest thereon at the rate of six per cent

(6%) per annum from the due date or dates until the date of payment thereof.

Texas shall have the right to examine at reasonable times the books, records, laboratory tests and charts of El Paso and Products Company to the extent necessary to verify the accuracy of any statement, test, chart or computation made under or pursuant to any of the provisions of this Agreement.

ARTICLE VI

Development Program

As soon as El Paso shall have completed its geophysical program covering subject lands embraced by said leases, and within three (3) years from July 1, 1958, El Paso shall drill on said leases covering subject lands not less than twelve (12) wells to test the Dakota Formation (which wells may be dually completed in shallower producing sands) at least one (1) of which wells shall be located on the acreage in Township 27 North, Range 8 West, N.M.P.M., and at least one (1) of which wells shall be located on the acreage in Township 26 North, Range 6 West, N.M.P.M., sold by Texas and purchased by El Paso herein.

Products Company shall not be obligated to perform, or cause to be performed, the drilling of any well upon said oil and gas leases covering subject lands for the development of oil; provided, however, that should oil be discovered on said leases and subject lands, Products Company's obligations for the development of said leases and lands after such discovery shall be those of a reasonably prudent operator with the obligation to conduct such additional

development or reassign oil rights in subject lands considered proven by the discovery.

Whenever either El Paso or Products Company, when conducting drilling operations on subject lands, shall encounter a zone or formation which it considers likely to produce oil, the drilling party shall notify Texas of such fact and shall conduct such testing as the drilling party considers proper, furnishing Texas copies of logs, tests, analyses and other data obtained.

El Paso and Products Company each assume and agree to perform and fulfill (as to each of their respective interests purchased hereunder and subject to the terms and provisions of the first two paragraphs of this Article VI) all of the terms, covenants and conditions of the lessee in each of the said leases purchased by it hereunder or in the assignments thereof or other instruments pertaining thereto under which Texas' title is derived, insofar as they cover and affect the drilling of wells and the production of oil, gas and/or other hydrocarbon substances. El Paso agrees to develop said leases for gas production at such times and in such a manner as to (a) avoid forfeiture of said leases, and (b) comply with the requirements of all governmental agencies having jurisdiction. El Paso and Products Company agree that either by unitization or development and production, El Paso and Products Company shall protect the subject lands against drainage from wells on adjacent lands.

ARTICLE VII

Gas Production

A. El Paso agrees that, as soon as reasonably possible, but

not exceeding forty-five (45) days after the date of completion of each commercial gas well hereafter drilled and completed on the subject lands covered by leases sold to it hereunder, it will connect such well to its gas gathering system and commence and continue taking gas produced therefrom on a ratable basis with all other wells connected to El Paso's pipelines which are producing from the same pool as said well on subject lands. The term "date of completion" as used herein shall mean the date on which the deliverability test required by the State of New Mexico as to any gas well is finished. Any period of time during which adverse weather conditions or inability to acquire right-of-way shall prevent El Paso from working upon such connection shall be added to the forty-five (45) days for making well connections.

B. Failing to connect any commercial gas well on subject lands within the time required by Section 1.a. of this Article, El Paso shall pay to Texas the sum of Two Hundred and Fifty Dollars (\$250.00) for each month or fraction thereof in excess of forty-five (45) days during which such well is not connected as liquidated damages resulting to Texas by reason of such failure; provided, that in any instance where Texas does not own all of a particular well, the payment shall be reduced proportionately.

Oil Production

Products Company's obligation to produce oil from any oil well presently drilled or which may in the future be drilled upon subject lands shall be that of a reasonably prudent oil operator operating wells in the same pool having similar producing abilities.

ARTICLE IX

Date of Closing

Transfer of the interest in said leases from Texas to El Paso and Products Company being sold hereunder and payment of the cash consideration for the wells thereon, as provided herein, shall take place at El Paso, Texas, on August 1, 1958, or at such other time and place as may be agreed upon by the parties. El Paso and Products Company shall be responsible for all costs and shall own all production from said leases beginning July 1, 1958. At the time of closing, Texas shall execute and deliver to El Paso and Products Company, or to such other person or persons as El Paso and Products Company may designate, assignments (subject to the reservations and exceptions hereinbefore set forth and containing covenants of general warranty) of Texas' interest in the leases to be assigned hereunder. Each of the parties hereto shall execute, or cause to be executed by the record owners of such party's interest in the assigned leasehold interest, such other instruments as may be necessary to subject the assigned leasehold interest to the applicable terms and conditions hereof.

Texas will make and prosecute any applications required by the Federal Power Commission to permit (1) the termination of the Gas Purchase Contracts dated December 16, 1953, and January 22, 1958, described in Article II hereof, between Johnston and El Paso Natural Gas Company and Texas National Petroleum Co. and El Paso Natural Gas Company, respectively, by the terms of which El Paso is purchasing the gas produced from the Rincon Unit Nos. 1 and 57

Wells, respectively, and (2) the sale of such gas wells to El Paso because of the sale of the leasehold interests under this Agreement.

ARTICLE X

Arbitration

If and whenever any controversy shall arise out of this Agreement or out of the refusal of either of the parties to perform the whole or any part thereof and the parties shall be unable to agree with respect to such controversy, the same shall be submitted for determination by a board of three arbitrators chosen as follows: Upon written demand of either party and within ten (10) days from the date of such demand, each of the parties shall name an arbitrator and the two arbitrators so named shall promptly thereafter choose a third. If either of the parties shall fail to name an arbitrator within ten (10) days from such demand, the other parties shall name the second arbitrator as well as the first, or if the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon written application by either of the parties such third arbitrator may be appointed by the American Arbitration Association.

The board of arbitrators so chosen shall proceed immediately to hear and determine the question or questions in dispute. The decision of the board of arbitrators or majority thereof shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances. In the event the board or majority thereof should fail to make a decision within sixty (60) days after the appointment of

the third arbitrator, new arbitrators may, at the election of either party, be chosen in like manner as if none had previously been selected.

The decision of the arbitrators shall be drawn up in writing and signed by the arbitrators or a majority of them and shall be final and binding as to the parties hereto and as to any question or questions so submitted to said arbitrators, and said parties shall abide by such decision and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators, all expense in connection with such arbitration, including a reasonable compensation to the arbitrators, shall be divided equally between the parties hereto, with the exception of expenses of counsel, witnesses and employees of the parties hereto, which, unless otherwise determined by the arbitrators, shall be borne by the parties incurring them.

ARTICLE XI

Well Data and Tests

Texas shall furnish to El Paso and Products Company promptly after the date of closing all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells heretofore drilled by or for Texas on the subject lands. El Paso and Products Company shall furnish to Texas promptly all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells which may be hereafter drilled by or for El Paso and Products Company on subject lands.

Texas shall have the right of ingress and egress at all reasonable times with respect to any lease, lands and any well sold hereunder or the derrick floor of any well which may be drilled pursuant to the terms of this Agreement, for the purpose of inspecting such leases, subject lands, drilling operations, well logs, production operations and exercising such other privileges as Texas may enjoy in connection with said leases, subject lands and wells.

ARTICLE XII

Force Majeure

The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of the government, either federal or state, civil or military, civil disturbances, explosions, breakage or accidents to the lines of pipe used to accomplish delivery hereunder, inability of any party hereto to obtain necessary materials, supplies, or permits, due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both federal and state), including both civil and military, or inability of any purchaser or purchasers of gas from the subject lands to receive gas by reason of force majeure affecting such purchaser or purchasers, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the

discretion of the party having the difficulty, and that any requirements made in this Agreement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by agreeing to the demands of the opposing party when such course is inadvisable in the sole discretion of the party having the difficulty.

ARTICLE XIII

Favored Nations Clause

If El Paso shall hereafter purchase any oil and gas leases covering land situated within two hundred miles of the subject lands and shall pay a higher overriding royalty on gas, considering quality and pressure, than the total overriding royalty stipulated herein for gas or shall pay a higher overriding royalty on the liquid hydrocarbons contained therein, considering quantity and quality, or if El Paso shall hereafter pay any such higher overriding royalty on gas or liquid hydrocarbons pursuant to any lease purchase agreement executed after July 1, 1958, pertaining to land situated within two hundred miles of the subject lands, then El Paso shall thereafter pay to Texas hereunder such higher overriding royalty for gas or liquid hydrocarbons thereafter produced for so long as El Paso shall pay such higher overriding royalty to others.

The purchase by El Paso of gas rights below the base of the Mesaverde Formation from parties owning overriding royalties on El Paso's gas rights above the base of the Mesaverde Formation at the same overriding royalties applicable to gas produced above the base

of the Mesaverde Formation shall not be considered a new purchase and shall not increase the overriding royalties on gas payable hereunder.

ARTICLE XIV

Rincon Unit

Upon receipt of written request therefor from El Paso and Products Company, Texas National Petroleum Co. agrees to resign as suboperator of the oil rights to all depths and the gas rights below the Mesaverde Formation in those portions of the subject lands within the Rincon Unit, and further agrees to use its best efforts in such event to have either El Paso or Products Company, as those parties shall direct, designated as such operator.

ARTICLE XV

Miscellaneous

Whenever requested by El Paso or Products Company, Texas shall execute or cause to be executed by the record owners of its interest communitization agreements in the usual form when necessary to obtain a legally authorized drilling unit. Whenever El Paso or Products Company desires to include all or any part of the subject lands within a unit agreement or development contract, Texas shall co-operate with El Paso or Products Company by executing a unit agreement or development contract containing the usual provisions and by requesting necessary approval.

Except for El Paso's and Products Company's obligation to make payments of overriding royalties hereunder and except for the obligation of the parties hereto to make any other cash payment

hereunder, neither of the parties hereto shall be liable for any failure to perform the terms of this Agreement when such failure is due to "force majeure".

No modification of the terms and provisions of this Agreement shall be or become effective except by the execution of supplementary written contracts.

No waiver by either of the parties of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this Agreement, or any notice which either of the parties may desire to give to the others, shall be in writing and shall be considered as duly delivered when duly deposited in the United States Mail, registered and postage prepaid, addressed to such other parties at their said addresses. Either of the parties may change its address hereunder by giving such a notice thereof to the other parties. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered or ordinary mail. In the event of emergency, notice may be given by telephone or telegraph and confirmed in writing delivered as aforesaid.

This Agreement and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Texas.

This Agreement shall inure to the benefit of and be binding upon the said parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed, and their respective corporate seals to be hereto affixed and attested, as of the date first above written.

TEXAS NATIONAL PETROLEUM CO.

ATTEST:

Michael E. Rauschelt
Assistant Secretary

By: William F. ...
President

W. C. McMahan
W. C. McMahan

Beryl B. McMahan
Beryl B. McMahan

A. V. Jones
A. V. Jones

Nellie Jones
Nellie Jones

Homer R. Stasney
Homer R. Stasney

Eska Gage Stasney
Eska Gage Stasney

EL PASO NATURAL GAS COMPANY

ATTEST:

Wayne ...
Assistant Secretary

By: Fred J. Wagner
Vice President BRH

EL PASO NATURAL GAS PRODUCTS COMPANY

ATTEST:

James W. Wesley
ASST. Secretary

By: O. R. Moore
Vice President

THE STATE OF TEXAS
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 29 day of July, 1958, by W. Stewart Boyer, President of TEXAS NATIONAL PETROLEUM CO., a Delaware corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:
6-1-59

Wanell Wood
Notary Public in and for Tarrant County, Texas

THE STATE OF Texas
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 29th day of July, 1958, by W. C. McMAHAN and BERYL B. McMAHAN, his wife.

WITNESS my hand and official seal.

My Commission Expires:
6-1-59

Wanell E. Wood
Notary Public in and for Harris County, Texas

THE STATE OF Texas
COUNTY OF Wichita

The foregoing instrument was acknowledged before me this 31st day of July, 1958, by A. V. JONES and NELLIE JONES, his wife.

WITNESS my hand and official seal.

My Commission Expires:
6-1-59

R. A. Baker
Notary Public in and for Wichita County, Texas

THE STATE OF Texas
COUNTY OF Shackelford |

The foregoing instrument was acknowledged before me this 31
day of July, 1958, by HOMER R. STASNEY and ESKA GAGE
STASNEY, his wife.

WITNESS my hand and official seal.

My Commission Expires: June 1, 1959
Moody Freeman Notary Public in and for Shackelford
County, Texas Moody Freeman.

THE STATE OF TEXAS |
COUNTY OF EL PASO |

The foregoing instrument was acknowledged before me this 26th
day of July, 1958, by Fred J. Wagner
Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corpora-
tion, on behalf of said Corporation.

WITNESS my hand and official seal.

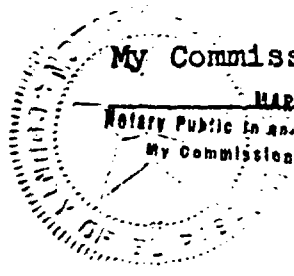


My Commission Expires: Madelane W. Munas
MADELANE W. MUNAS Notary Public in and for El Paso
County, Texas
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

THE STATE OF TEXAS |
COUNTY OF EL PASO |

The foregoing instrument was acknowledged before me this 25
day of July, 1958, by C. L. Moore
Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas
corporation, on behalf of said corporation.

WITNESS my hand and official seal.



My Commission Expires: Mary T. Saxon
MARY T. SAXON Notary Public in and for El Paso
County, Texas
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

EXHIBIT "1"

Description of Land and Leases

I

- A. Leases owned by Texas National Petroleum Co. committed to the Rincon Unit Agreement dated June 1, 1951.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 079052, Lessee: Betty Lou Neudecker
Dated July 1, 1948

4209
Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

Section 17: SW/4, W/2 SE/4, SE/4 SE/4
Section 18: SE/4, E/2 SW/4

containing 520.00 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest.

2. Santa Fe 079160, Lessee: Lloyd W. Miles
Dated May 1, 1948

4209
Township 26 North, Range 7 West, N.M.P.M.,
Rio Arriba County

Section 1: All
Section 11: All
Section 12: All

containing 1,920.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest.

3. Santa Fe 079298, Lessee: E. P. Ripley
Dated July 1, 1948

4209
Township 27 North, Range 7 West, N.M.P.M.,
Rio Arriba County

Section 13: Lots 1, 2, 3, 4, 5, 6, 7, 8 (S/2)

containing 336.22 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest.

4. Santa Fe 079298-D Lessee: E. P. Ripley
Dated July 1, 1948

Township 27 North, Range 7 West, N.M.P.M.,
Rio Arriba County

4210
Section 13: N/2
Section 14: Lots 7, 9, 10 (S/2 SW/4, NE/4 SW/4)
Section 24: Lots 9, 10, 11, 12, 13, 14, 15, 16
(S/2)

containing 768.76 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest.

5. Santa Fe 079301 Lessee: Coy Lindsey Dated May 1, 1948

Township 26 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4211
Section 6: Lots 3, 4, 5, SE/4 NW/4

containing 161.81 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest.

6. Santa Fe 079301-A Lessee: Coy Lindsey
Dated May 1, 1948

Township 26 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4212
Section 6: Lots 6, 7, E/2 SW/4

containing 161.35 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest.

7. Santa Fe 079302 Lessee: Otis Wetsel
Dated April 1, 1948

Township 26 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4213
Section 6: Lots 1, 2, S/2 NE/4

containing 160.48 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest.

8. Santa Fe 079302-B Lessee: Otis Wetsel
Dated April 1, 1948

Township 26 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4213
Section 6: SE/4

containing 160.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest.

9. Santa Fe 079321 Lessee: Madolene Lane Robinson
Dated July 1, 1949

Township 27 North, Range 7 West, N.M.P.M.,
Rio Arriba County

4216
Section 25: Lots 1, 2, 3, 4, 5, 6, 7, 8, E/2
(All)

containing 656.48 acres, more or less.

Record interest of Texas, all, subject to proportionate part of 5 per cent overriding royalty interest.

10. Santa Fe 079364 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4213
Section 28: All
Section 29: All
Section 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)
Section 31: Lots 4, 5, 6, 7, 8, 9, 10, 11, 12,
13, 14, 15, 16, SE/4 SW/4, S/2 SE/4
(All)

containing 2,605.33 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on S/2 of Section 28, N/2 of Section 29, S/2 of Section 30 and S/2 of Section 31.

11. Santa Fe 079365-A Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4220
Section 22: NE/4, NE/4 SE/4
Section 23: All

containing 840.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on NE/4, NE/4 SE/4 of Section 22 and N/2 of Section 23.

12. Santa Fe 079366 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4221
Section 19: S/2
Section 21: S/2
Section 22: W/2 W/2, SE/4 SW/4, S/2 SE/4
Section 27: NE/4 SE/4

containing 959.40 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to $7\frac{1}{2}$ per cent plus overriding royalty interest plus 3 per cent overriding royalty interest on S/2 of Section 19, S/2 of Section 21, W/2 SW/4, SE/4 SE/4 of Section 22, and NE/4 SE/4 of Section 27.

13. Santa Fe 079366 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4221
Section 19: N/2
Section 20: All
Section 21: N/2
Section 27: N/2

containing 1,599.32 acres, more or less.

Record interest of Texas, all, subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 of Section 20.

14. Santa Fe 079367-A Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4222
Section 26: All
Section 27: SE/4 SE/4, W/2 SE/4, SW/4

containing 920.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 of Section 26, SE/4 SE/4, W/2 SE/4 of Section 27.

15. Santa Fe 080213 Lessee: Dena Riddle
Dated November 1, 1949

Township 27 North, Range 7 West, N.M.P.M.,
Rio Arriba County

4224
Section 28: S/2
Section 33: All
Section 34: W/2

containing 1,280.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest on total production.

16. Santa Fe 080385 Lessee: C. A. Slater
Dated July 1, 1951

Township 27 North, Range 7 West, N.M.P.M.,
Rio Arriba County

4223
Section 22: SE/4
Section 23: Lots 1, 2, 3, 4, SW/4 (S/2)
Section 26: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10,
11, 12, 13, 14, 15, 16 (All)
Section 27: E/2, SW/4
Section 34: E/2
Section 35: Lots 1 through 16, both inclusive,
(All)

containing 2,645.09 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to 5 per cent overriding royalty interest.

Oil and Gas Leases, State Lands of New Mexico

17. E-289-29 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

4200-
Section 36: SW/4

containing 160.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest.

18. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

4200-
Section 16: W/2, W/2 SE/4, SE/4 SE/4

Section 32: W/2 NE/4, SE/4 SW/4

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 36: E/2 SE/4

containing 640.00 acres, more or less.

Record interest of Texas, all, subject to 10 per cent overriding royalty interest on W/2, W/2 SE/4, SE/4 SE/4 of Section 16, Township 27 North, Range 6 West, N.M.P.M.

19. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

4200-
Section 32: W/2 NW/4, NW/4 SW/4, E/2 NE/4,
SW/4 SW/4, SE/4

Section 16: NE/4

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 36: N/2 NE/4, W/2 SE/4, NW/4

containing 880.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest on W/2 SE/4, NW/4 of Section 36, Township 27 North, Range 7 West, N.M.P.M., and on E/2 NE/4, SW/4 SW/4, SE/4 of Section 32 and NE/4 of Section 16, Township 27 North, Range 6 West, N.M.P.M.

20. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 26 North, Range 7 West, N.M.P.M.,
Rio Arriba County

u201- Section 2: SW/4

containing 160 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest.

21. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 26 North, Range 7 West, N.M.P.M.,
Rio Arriba County

4201- Section 2: Lots 3, 4, S/2 NW/4

containing 160.68 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest.

22. E-6443-4 Lessee: A. E. Cathey Dated August 4, 1952

Township 27 North, Range 6 West, N.M.P.M.,
Rio Arriba County

4203- Section 16: NE/4 SE/4

containing 40 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest on total production of oil and gas.

Fee Leases

23. Lessor: Clifford A. Kaime Lessee: C. H. Nye
Dated March 11, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

4225 Section 22: E/2 NW/4, NE/4 SW/4, NW/4 SE/4

containing 160.00 acres, more or less.

Record interest of Texas, all, subject to 12½ per cent overriding royalty interest on total production of oil and gas.

B. Leases owned by Texas National Petroleum Co. committed to 28-6 Unit by 28-6 Unit Agreement dated May 27, 1953.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 079049-C Lessee: D. A. MacPherson, Jr.
Dated July 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

4226 Section 9: W/2

containing 320.00 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest.

2. Santa Fe 079363 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 1: All

Section 10: NE/4, W/2 SE/4, SW/4, SE/4 SE/4

4227 Section 11: N/2, N/2 SE/4, SE/4 SE/4, SW/4 SW/4

Section 12: All

Section 13: N/2, NE/4 SE/4

containing 2,560.42 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 7½ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 of Section 1, SW/4, W/2 SE/4, SE/4 SE/4 of Section 10, SW/4 SW/4 of Section 11, N/2 of Section 12. and N/2, NE/4 SE/4 of Section 13.

3. Santa Fe 079365 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio
Arriba County

4219
Section 13: N/2 SW/4, SW/4 SW/4
Section 14: W/2, SE/4, SW/4 NE/4
Section 15: All
Section 24: W/2, W/2 SE/4, NE/4 SE/4

containing 1,720.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 SW/4, SW/4 SW/4 of Section 13, NW/4 of Section 14, and S/2 of Section 15.

4. Santa Fe 079367-B Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio
Arriba County

4223
Section 25: W/2, SE/4, W/2 NE/4

containing 560.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein subject to $10\frac{1}{2}$ per cent overriding royalty interest.

Oil and Gas Leases, State Lands of New Mexico

5. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio
Arriba County

4222
Section 2: Lot 1 (NE/4 NE/4), Lots 2, 3, 4
(NW/4 NE/4, N/2 NW/4), W/2 SW/4,
SE/4

containing 400.42 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest on Lot 1, W/2 SW/4, SE/4.

- C. Leases owned by Texas National Petroleum Co. committed to Blanco Development Contract (No. 1) dated November 28, 1951.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 078461 Lessee: Arne B. Filan
Dated October 1, 1947

Township 27 North, Range 8 West, N.M.P.M., San Juan County

4204
Section 5: All

containing 642.67 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to proportionate part of 4 per cent overriding royalty interest.

2. Santa Fe 078571 Lessee: S. Victor Day
Dated May 1, 1948

Township 27 North, Range 8 West, N.M.P.M., San Juan County

4205
Section 7: All

containing 640.44 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to proportionate part of 5 per cent overriding royalty interest.

- D. Leases owned by Texas National Petroleum Co. committed to Blanco Development Contract No. 5, dated December 10, 1956.

Oil and Gas Leases, State Lands of New Mexico

1. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County

4201
Section 36: E/2

containing 320 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest.

- E. Leases owned by Texas National Petroleum Co. committed to Huerfano Unit by Huerfano Unit Agreement dated July 29, 1949.

Oil and Gas Leases, State Lands of New Mexico

1. E-2659-5 Lessee: Clinton C. Seymour
Dated May 10, 1949

Township 27 North, Range 10 West, N.M.P.M., San Juan County

4228
Section 32: NW/4

containing 160.00 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest on total production of oil and gas.

2. E-2659-8 Lessee: Clinton C. Seymour

Township 27 North, Range 10 West, N.M.P.M., San Juan County

4235
Section 32: SW/4

containing 160.00 acres, more or less.

Record interest of Texas, all, subject to 5 per cent overriding royalty interest on total production of oil and gas.

- F. Leases owned by Texas National Petroleum Co. committed to 28-7 Unit by 28-7 Unit Agreement dated November 18, 1952

Oil and Gas Leases, State Lands of New Mexico

1. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

4242
Section 2: Lots 1, 3, 4, SE/4 NE/4, NE/4 SE/4, SW/4, SW/4 SE/4

containing 398.54 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest on Lots 3, 4, SW/4, SW/4 SE/4.

- G. Leases owned by Texas National Petroleum Co. not committed to any unit or development contract.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 079302-A Lessee: Otis Wetsel
Dated April 1, 1948

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County

4214 Section 20: N/2 NW/4, SW/4 NW/4, SW/4, SW/4 SE/4
containing 320.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest therein, subject to 5 per cent overriding royalty interest.

Oil and Gas Leases, State Lands of New Mexico

2. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 25 North, Range 6 West, N.M.P.M., Rio Arriba County

4201 Section 2: Lots 1, 2, 3, S/2 NE/4, SE/4 NW/4

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 32: NE/4, S/2 SW/4
Section 36: S/2, E/2 NE/4, W/2 NW/4

containing 961.33 acres, more or less.

Record interest of Texas, undivided five-sixth interest subject to 5 per cent overriding royalty interest on S/2 of Section 36, Township 26 North, Range 6 West; on Lots 1, 2, S/2 NE/4 of Section 2, Township 25 North, Range 6 West; on NE/4 of Section 32 and W/2 NW/4 of Section 36, Township 26 North, Range 6 West, N.M.P.M.

3. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

4202 Section 36: E/2 SW/4, E/2, W/2 NW/4

containing 480.00 acres, more or less.

Record interest of Texas, undivided five-sixth interest subject to 5 per cent overriding royalty interest on E/2, W/2 NW/4 of Section 36.

II

Lease owned by W. C. McMahan, A. V. Jones and Homer R. Stasney
Federal Oil and Gas Lease Situated in New Mexico

Santa Fe 079360 Lessee: M. A. Romero Dated October 1, 1948

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba
County

4226 Section 15: E/2
Section 22: NE/4
Section 23: N/2

containing 800.00 acres, more or less.

Record interest of W. C. McMahan, A. V. Jones and Homer R. Stasney, all, subject to 5 per cent overriding royalty interest of total production of oil and gas.

El Paso Natural Gas Company

El Paso, Texas

March 9, 1959

Amendment #7 to GLA 76
Amendment #4 to GLA 77
Amendment #1 to GLA 348
Amendment #1 to GLA 350

Texas National Petroleum Company
902 South Coast Building
Houston 2, Texas

Mr. R. E. Beamon
1303 Esperson Building
Houston 2, Texas

Gentlemen:

This letter, when accepted by you in the space provided below, will constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 6, 1953, as previously amended, which agreements are recorded respectively in Book 16, Page 489, and Book 21, Pages 57-70 of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements, as amended, and the record thereof is here made for all purposes.

This letter will also constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, which agreements are recorded respectively in Book _____, Page _____, and Book _____, Page _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements and the record thereof is here made for all purposes.

You agree that the Pictured Cliffs and Mesaverde development obligations imposed upon El Paso Natural Gas Company under the aforesaid Oil and Gas Lease Sale Agreements dated July 6, 1953, as amended, are extended from July 4, 1961 and August 8, 1961 until December 31, 1962. You grant this extension of time in consideration for our agreeing to drill on the lands subject to said agreements, eight (8) wells during the calendar year 1959 to test the Dakota Formation (which wells may be dually completed in shallower producing sands).

Texas National Petroleum Company
Mr. R. E. Beamon

-2-

March 9, 1959

We agree that the development obligations imposed upon us under the aforesaid Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, are shortened by one year, or until July 1, 1960.

It is understood that in all other respects, the above described Oil and Gas Lease Sale Agreements as heretofore amended, and as herein modified, will remain unchanged and in full force and effect.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Arnold P. Howell
Attorney in Fact

ACCEPTED AND APPROVED THIS 20

DAY OF May, 1959.

TEXAS NATIONAL PETROLEUM COMPANY

By L. A. Whaley Jr.
Vice President

EL PASO NATURAL GAS PRODUCTS COMPANY

By Roland L. Hambleton ED

ACCEPTED AND APPROVED THIS 20th

DAY OF July, 1959.

R. E. Beamon
R. E. BEAMON

GHA-348

SECOND AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

THIS AMENDMENT, made and entered into this 18th day of September, 1959, by and between TEXAS NATIONAL PETROLEUM CO., a Delaware Corporation, whose mailing address is 902 South Coast Life Building, Houston 2, Texas, W. C. McMAHAN and wife, BERYL B. McMAHAN, whose mailing address is 1923 Bank of the Southwest Building, Houston 2, Texas, A. V. JONES and wife, NELLIE JONES, whose mailing address is Albany, Texas, and HOMER R. STASNEY and wife, ESKA GAGE STASNEY, whose mailing address is Albany, Texas, (hereinafer collectively referred to as "Texas"), EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"), and EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas corporation, whose mailing address is Post Office Box 1161, El Paso, Texas, (hereinafer referred to as "Products Company");

W I T N E S S E T H:

WHEREAS, Texas, El Paso, and Products Company made and entered into that certain Oil and Gas Lease Sale Agreement dated July 29, 1958, recorded in Book _____, pages _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Texas, El Paso, and Products Company amended said Agreement by that certain First Amendment to Oil and Gas Lease Sale Agreement dated March 9, 1959, to provide

for the shortening of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, said Texas, El Paso, and Products Company desire to modify and amend the Oil and Gas Lease Sale Agreement dated July 29, 1958, by this Second Amendment of Oil and Gas Lease Sale Agreement to (1) correct the numbering of certain articles of said Agreement, (2) redefine the term "date of completion" as the same appears in Article VII A. of said Agreement, (3) provide for the "workover" of any gas well covered by said Agreement, (4) redefine the term "date of completion" as the same applies to a gas well drilled and completed as a dual well under said Agreement, and (5) provide for the treatment of a gas well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for failure to connect each commercial gas well drilled and completed on lands covered by said Agreement;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Texas, El Paso, and Products Company have agreed and do agree as follows:

1. Articles IX, X, XI, XII, XIII, XIV and XV of the original Agreement are hereby amended by renumbering the same VIII, IX, X, XI, XII, XIII and XIV, respectively.

2. Article VII A. of the original Agreement is hereby amended and modified as follows:

a. The word "deliverability" is deleted from the second sentence of the first paragraph thereof and there is substituted, in lieu thereof, the words "initial potential."

b. The following paragraphs are added after the first paragraph thereof:

"It is agreed by Texas, El Paso, and Products Company that El Paso has the right to workover any gas well or wells covered by this Agreement which in El Paso's sole judgment may require such treatment. El Paso shall not be obligated to take gas from any such well or wells during the period of time workover operations are being conducted.

The term "date of completion," when applied to a gas well drilled and completed as a dual well under the terms of this Agreement, shall mean the date on which the initial potential test required by the State of New Mexico as to any gas well is finished as to the zone or horizon in which the well was last completed."

2. Article VII B. of the original Agreement is hereby amended by deleting the period appearing at the end of the first paragraph thereof and adding to the paragraph the following:

"; and, provided further, that for purposes of this Article VII B. any gas well drilled and completed as a dual well under the terms of this Agreement shall be considered as two wells."

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby amended and modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated to become effective January 1, 1959.

ATTEST:

Ernest Anderson
Assistant Secretary

TEXAS NATIONAL PETROLEUM CO.

By: Walter Boyle
President

W. C. McMahan
W. C. McMahan

Beryl B. McMahan
Beryl B. McMahan

A. V. Jones
A. V. Jones

Nellie Jones
Nellie Jones

Homer R. Stasney
Homer R. Stasney

Eska Gage Stasney
Eska Gage Stasney

~~ATTEST:~~

~~Assistant Secretary~~

EL PASO NATURAL GAS COMPANY

By: Bruce S. Howell
Vice President
ATTORNEY-IN-FACT

~~ATTEST:~~

~~Assistant Secretary~~

EL PASO NATURAL GAS PRODUCTS COMPANY

By: Robert L. Humble
Vice President
Attorney-in-Fact

THE STATE OF TEXAS

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 18th day of September, 1959, by W. Stewart Boyd, President of TEXAS NATIONAL PETROLEUM CO., a Delaware Corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

Daisy F. Kincaid
Notary Public in and for
Harris County, Texas

My Commission Expires:

6-1-61

THE STATE OF TEXAS

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 13th day of October, 1959, by W. C. McMAHAN and BERYL B. McMAHAN, his wife.

WITNESS my hand and official seal.

Mildred E. Daugherty
Notary Public in and for
Harris County, Texas

My Commission Expires:

MILDRED E. DAUGHERTY
Notary Public, Harris County, Texas

THE STATE OF TEXAS

COUNTY OF SHACKELFORD

The foregoing instrument was acknowledged before me this 5th day of October, 1959, by A. V. JONES and NELLIE JONES, his wife.

WITNESS my hand and official seal.

R. J. Bates
Notary Public in and for
SHACKELFORD County, Texas

My Commission Expires:

6-1-61

THE STATE OF TEXAS

COUNTY OF Shackelford

The foregoing instrument was acknowledged before me this 10 day of October, 1959, by HOMER R. STASNEY and ESKA GAGE STASNEY, his wife.

WITNESS my hand and official seal.

My Commission Expires:

6-1-61

Mrs. F. J. ...
Notary Public in and for
Shackelford County, Texas

THE STATE OF TEXAS

COUNTY OF EL PASO

The foregoing instrument was acknowledged before me this 26 day of October, 1959, by BEN R. HOWELL ATTORNEY-IN-FACT, Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:

M. B. IVEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1961

M. B. Ivey
Notary Public in and for
El Paso County, Texas

THE STATE OF TEXAS

COUNTY OF EL PASO

The foregoing instrument was acknowledged before me this 22 day of October, 1959, by Roland L. Hamblin Attorney-in-Fact, Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:

MARY T. SAXON
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1961

Mary T. Saxon
Notary Public in and for
El Paso County, Texas

El Paso Natural Gas Company

El Paso, Texas

March 9, 1959

Amendment #7 to GLA 76
Amendment #4 to GLA 77
Amendment #1 to GLA 348
Amendment #1 to GLA 350

Texas National Petroleum Company
902 South Coast Building
Houston 2, Texas

Mr. R. E. Beamon
1303 Esperson Building
Houston 2, Texas

Gentlemen:

This letter, when accepted by you in the space provided below, will constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 6, 1953, as previously amended, which agreements are recorded respectively in Book 16, Page 489, and Book 21, Pages 57-70 of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements, as amended, and the record thereof is here made for all purposes.

This letter will also constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, which agreements are recorded respectively in Book _____, Page _____, and Book _____, Page _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements and the record thereof is here made for all purposes.

You agree that the Pictured Cliffs and Mesaverde development obligations imposed upon El Paso Natural Gas Company under the aforesaid Oil and Gas Lease Sale Agreements dated July 6, 1953, as amended, are extended from July 4, 1961 and August 8, 1961 until December 31, 1962. You grant this extension of time in consideration for our agreeing to drill on the lands subject to said agreements, eight (8) wells during the calendar year 1959 to test the Dakota Formation (which wells may be dually completed in shallower producing sands).

Texas National Petroleum Company
Mr. R. E. Beamon

-2-

March 9, 1959

We agree that the development obligations imposed upon us under the aforesaid Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, are shortened by one year, or until July 1, 1960.

It is understood that in all other respects, the above described Oil and Gas Lease Sale Agreements as heretofore amended, and as herein modified, will remain unchanged and in full force and effect.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Arnold F. Howell
Attorney in Fact

ACCEPTED AND APPROVED THIS 20

DAY OF May, 1959.

TEXAS NATIONAL PETROLEUM COMPANY

By L. C. Williams Jr.
Vice President

EL PASO NATURAL GAS PRODUCTS COMPANY

By Roland L. Hamilton

ACCEPTED AND APPROVED THIS 20th

DAY OF July, 1959.

R. E. Beamon
R. E. BEAMON

OIL AND GAS LEASE SALE AGREEMENT

dated

AUGUST 5th 1958

between

EL PASO NATURAL GAS COMPANY and
EL PASO NATURAL GAS PRODUCTS COMPANY

and

R. E. BEAMON

G.L.A. 350
O.L.A. 14

OIL AND GAS LEASE SALE AGREEMENT

THIS AGREEMENT is made and entered into this 5th day of AUGUST, 1958, by and between R. E. BEAMON, an individual, whose mailing address is 346 Esperson Building, Houston 2, Texas, (hereinafter referred to as "Beamon"), and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"), and EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas corporation, whose mailing address is Post Office Box 1161, El Paso, Texas, (hereinafter referred to as "Products Company"),

W I T N E S S E T H:

WHEREAS, pursuant to Oil and Gas Lease Sale Agreement dated July 6, 1953, between R. E. Beamon and El Paso Natural Gas Company, as heretofore amended by three Amendments of Oil and Gas Lease Sale Agreement dated February 24, 1954, March 1, 1955, and _____, 1958, respectively, (hereinafter referred to as "Original Agreement"), El Paso is the owner of the gas rights from the surface to the base of the Mesaverde Formation in those certain oil and gas leases covering lands located in San Juan and Rio Arriba Counties, New Mexico, (hereinafter referred to as "said leases" and "subject lands"), which said leases covering subject lands are described in Exhibit "1" attached hereto and made a part hereof, and the production of gas from the surface to the base of

the Mesaverde Formation lying in and under subject lands is subject to all of the terms and provisions of said Original Agreement; and

WHEREAS, pursuant to said Original Agreement, Beamon is the owner of certain interests in oil to all depths and gas below the base of the Mesaverde Formation in said leases covering subject lands, as described in Exhibit "1" attached hereto; and

WHEREAS, certain of subject lands and oil and gas leases covering subject lands have been committed to and are subject to the terms and provisions of the Rincon Unit Agreement dated June 1, 1951, Huerfano Unit Agreement dated July 29, 1949, San Juan 28-6 Unit Agreement dated May 27, 1953, San Juan 28-7 Unit Agreement dated November 18, 1952, Blanco Development Contract (No.1) dated November 28, 1951, and Blanco Development Contract No. 5 dated December 10, 1956, as specified in said Exhibit "1", and all obligations for the development of oil and gas are governed by the applicable provisions of said Unit Agreements and Development Contracts insofar as said Unit Agreements and Development Contracts apply to subject lands and oil and gas leases covering subject lands which are committed thereto; and

WHEREAS, Beamon desires to sell and El Paso desires to buy all of Beamon's interest, as such interest is hereinafter defined, in said leases to explore for, produce and market gas and gas liquids from zones and/or formations below the base of the Mesaverde Formation lying in and under subject lands, for the considerations and upon the terms and conditions hereinafter provided; and

WHEREAS, Beamon desires to sell and Products Company desires to buy all of Beamon's interest in said leases to explore for, produce and market oil from subject lands, for the considerations and upon the terms and conditions hereinafter provided;

NOW, THEREFORE, for and in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the receipt and sufficiency of which are mutually confessed, Beamon, El Paso and Products Company agree as follows:

ARTICLE I

Definitions

The following definitions shall be applicable to this Agreement:

The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at seven (7) o'clock a.m. Mountain Standard Time.

The term "month" shall mean a period commencing at seven (7) o'clock a.m. Mountain Standard Time on the first day of any calendar month and ending at seven (7) o'clock a.m. Mountain Standard Time on the first day of the next succeeding calendar month.

The term "year" means a period of twelve (12) months beginning at seven (7) o'clock a.m. Mountain Standard Time on the first day of January of any calendar year and ending at seven (7) o'clock a.m. on the first day of January of the next succeeding calendar year.

The term "oil" shall mean crude oil and liquid hydrocarbons having a gravity of 50 or less A.P.I. which exist in a liquid phase

in a reservoir and which can be recovered at the well by use of conventional separators and in a manner consistent with usual and ordinary oil and gas field production practices.

The term "gas" shall mean natural gas, casinghead gas and all contents thereof not included within the foregoing definition of oil.

The term "oil well" shall mean any well which is or would be classified as an oil well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

The term "gas well" shall mean any well which is or would be classified as a gas well under presently existing rules of New Mexico Oil Conservation Commission relating to such classifications.

The term "lease" means the conventional gas lease or oil and gas lease under which the lessee has the right to produce and market gas (except casinghead gas in some cases) and/or oil and gas from the lands covered thereby, the life of which is for a stated number of years and as long thereafter as oil or gas is produced in paying quantities, and the term "lease" shall also include applications for leases, options to acquire leases and agreements entitling one party to dispose of gas produced from leases.

The term "Beamon's interest" means the percentage or net interest owned by Beamon in leases after deducting royalties, overriding royalties carried and other interests in oil and gas encumbering said interest.

The term "mcf" means one thousand (1,000) cubic feet.

The term "PSIG" means pounds per square inch gauge.

The term "open flow capacity" means the ability or capacity of a natural gas well to produce natural gas for a period of twenty-four (24) hours as determined by the most recent open flow test conducted by the parties hereto by flowing the well wide open against no back pressure for a period of six (6) consecutive hours after it has been shut in for a period of at least seventy-two (72) consecutive hours, and computing the open flow capacity from center impact readings taken by means of a Pitot tube in accordance with the Walter Reid formula or conducted in such other manner as may be agreed upon between the parties.

The term "subject lands" means all lands covered by Beamon's leases as described in Exhibit "1" hereof.

The term "overriding royalty" as applied to Beamon's interest in gas means the right to receive a certain portion of production or payment out of production free and clear of any cost, expense, charge, deduction or tax levied on production, severance or transportation.

ARTICLE II

Leases Being Sold

Beamon represents and warrants that it owns or has the right to acquire the percentage of the production of oil to all depths and gas below the base of the Mesaverde Formation lying in and under subject lands covered by said leases more fully shown and

described in Exhibit "1" hereto, subject to the provisions of Article III hereof, and El Paso and Products Company shall not be required to examine Beamon's title to said leases; provided, however, that immediately after execution of this Agreement, Beamon shall furnish to Products Company for its files copies of all Beamon's records concerning oil operations applicable to said leases.

Subject to the terms and provisions of this Agreement, Beamon agrees to sell and deliver to El Paso, and El Paso agrees to purchase from Beamon and pay for the entire working interest of Beamon, free and clear of liens, but subject to the terms of Gas Purchase Contracts dated December 16, 1953, (covering the Rincon Unit No. 1 well described hereinbelow) and Gas Purchase Contract dated January 22, 1958, (covering the Rincon Unit No. 57 well described hereinbelow) between El Paso and Beamon, providing for the sale of gas produced therefrom, as and in the manner hereinafter set forth, in each and all of said leases covering subject lands insofar as such interest pertains to the right to explore for and produce gas from zones and/or formations below the base of the Mesaverde Formation.

Subject to the terms and provisions of this Agreement, Beamon agrees to sell and deliver to Products Company, and Products Company agrees to purchase from Beamon and pay for the entire interest of Beamon, free and clear of liens and in the manner hereinafter set forth, in each and all of the said leases covering subject lands insofar as such interest pertains to the right to explore for and to produce oil from all depths.

The sale of leases provided for above shall include not only the said leases of Beamon, but also Beamon's interest in two (2) gas wells sold to El Paso hereunder producing from the Dakota Formation (described as the Rincon Unit Nos. 1 and 57 located in the SE/4 of Section 30, Township 27 North, Range 6 West, N.M.P.M., and the NE/4 of Section 1, Township 26 North, Range 7 West, N.M.P.M., respectively), three (3) oil wells sold to Products Company hereunder producing from the Tocito Formation (described as the Rincon Unit Nos. 6, 11 and 20 and located in the SE/4 SE/4, SE/4 SW/4 and SE/4 NW/4 of Section 6, Township 26 North, Range 6 West, N.M.P.M., respectively), the well structures utilized by Beamon in the operation of such wells and all casing, fittings, appurtenances and personal property located on subject lands pertaining to, attached to or used in connection with such wells.

ARTICLE III

Exceptions and Reservations

In the various said oil and gas leases of Beamon, assignments thereof and other instruments and documents pertaining thereto, there are excepted and reserved to or assigned for the benefit of the various lessors, assignors and others, certain royalties, overriding royalties and other rights and interest in, to and connected with oil, gas and other minerals produced from and under said leases, reference being here made to all such leases, assignments, instruments and documents for a more particular description of the terms thereof. The obligation of Beamon to sell and deliver said leases to El Paso and Products Company hereunder is made

expressly subject to all such royalties, overriding royalties and other rights and interest so excepted, reserved or assigned.

In addition to the overriding royalties and outstanding interests specified in the first paragraph of this Article III, Beamon hereby excepts from this Agreement and reserves and retains unto itself and its successors and assigns, or to person(s) whom Beamon may designate, on Beamon's interest sold hereunder the following:

A.1. An overriding royalty on Beamon's interest in all gas produced and saved from gas wells not committed to a unit area located on the subject lands being sold herein and, as to gas wells committed to a unit agreement, an overriding royalty on Beamon's interest in all gas produced and saved (except gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease involved) from unit land and allocated to subject lands in units in which said leases and subject lands have been or hereafter are committed as follows:

- (1) 6¢ per mcf on all such gas produced and saved during the period beginning July 1, 1958, and ending September 1, 1960.
- (2) 7¢ per mcf on all such gas produced and saved during the period beginning September 1, 1960, and ending January 1, 1964.
- (3) 8¢ per mcf on all such gas produced and saved during the period beginning January 1, 1964, and ending January 1, 1965.
- (4) 9¢ per mcf on all such gas produced and saved during the period beginning January 1, 1965, and ending January 1, 1968.

- (5) 10¢ per mcf on all such gas produced and saved during the period beginning January 1, 1968, and ending January 1, 1969.
- (6) Not less than 10¢ per mcf on all such gas produced and saved after January 1, 1969.

2. An overriding royalty on Beamon's interest in all casinghead gas produced and saved from oil wells not committed to a unit area on the subject lands being sold herein and, as to oil wells committed to a unit agreement, an overriding royalty on Beamon's interest in all casinghead gas produced and saved (except casinghead gas used on the unit or otherwise used for purposes which do not require the payment of royalty on such gas under the provisions of the basic lease included) from or allocated to leases in units in which the said leases and subject lands have been or hereafter are committed, free and clear of all development and operating costs but subject to their share of mineral ad valorem taxes and taxes on and measured by such production, as follows:

(1) Above the top of the Dakota Formation:

An overriding royalty in the amount of 33-1/3 per cent.

(2) Below the top of the Dakota Formation:

An overriding royalty of 25 per cent.

El Paso shall make payment to Beamon for all casinghead gas produced and saved from the leases being sold herein applicable to Beamon's net interest therein based on the market value at the wellhead of such casinghead gas as provided in El Paso's contracts with other producers for the purchase of casinghead gas from the same formation. Payment for all such casinghead gas produced from the Gallup Formation lying in and under subject lands shall be

based on the provisions of El Paso's standard contract for the purchase of casinghead gas produced in the Bisti area of New Mexico (a copy of which contract Beamon by the execution of this Agreement acknowledges receipt).

3. The overriding royalties payable under 1. and 2. of this Paragraph A shall be determined from volumes of gas computed as provided in Paragraph B of this Article III and shall be in addition to the overriding royalty on extracted liquids described in Paragraph D of this Article III.

B. The volumes of gas, upon which the overriding royalties described in Paragraphs A and C of this Article III shall be paid, shall be computed upon a pressure base of 15.025 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit, and shall be otherwise computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association, including the appendix thereto and subsequent amendments and appendices from time to time made. Proper corrections shall be made for deviation from Boyle's Law, the specific gravity and the flowing temperatures of the gas produced hereunder. Proper deduction shall be made from such volumes for gas used in development and operation of the subject lands and for loss due to shrinkage by reason of extraction of hydrocarbons from such gas.

C. The overriding royalty specified in Paragraph A.1. (6) of this Article III shall in no event be less than the amount stated therein but shall be arrived at as follows: Approximately ninety (90) days prior to January 1, 1969, the parties shall attempt to agree upon the amount of such overriding royalty for the next five-

year period: If the parties agree upon such overriding royalty, then such amount shall be the overriding royalty to be received by Beamon hereunder for such period. If the parties cannot agree upon such amount, then such amount shall be determined by a board of arbitrators to be appointed as provided in Article X hereof. The board of arbitrators, in determining the amount of such overriding royalty, shall base their decision on the then value of such gas at the wellhead, considering only quality and pressure of gas, aggregate quantity of delivery and the then current field prices (of then newly negotiated contracts) of gas in other fields connected to or in the area of any of El Paso's pipe lines or gathering systems or of any pipe line system to which any of El Paso's pipe lines or gathering systems are then connected and such other directly related pertinent factors which said board shall deem proper to consider in order to fairly determine the amount of such overriding royalty. The overriding royalty reserved by Beamon in Paragraph A.1. (6) of this Article III shall be determined for each five-year period after January 1, 1974, in like manner to that provided above for the five-year period next following January 1, 1969, but in no event shall the amount of such overriding royalty be less than 10¢ per mcf.

D. An overriding royalty in the amount of 33-1/3 per cent on Beamon's interest in all liquid hydrocarbons which may be recovered or extracted from gas produced from said leases and subject lands being sold herein, free and clear of all development and operating costs, but subject to its share of mineral ad valorem taxes and taxes on and measured by such production. At Beamon's option El Paso shall deliver to Beamon such overriding royalty in kind or shall pay

to Beamon the fair market value thereof in cash; provided, however, that if El Paso shall desire to contract for the sale of any such liquid hydrocarbons over a period of years, it shall notify Beamon of the price, terms and conditions of such proposed contract and, within thirty (30) days after the receipt of such notice, Beamon shall elect either to join in such contract or to take in kind its share of the liquid hydrocarbons to which such contract relates, for the entire term of such contract. During all periods when liquid hydrocarbons are not recovered or extracted from gas produced from Beamon's interest in said oil and gas leases covering subject lands by El Paso in a plant for extraction of such liquids, El Paso shall pay to Beamon in cash the estimated value of 33-1/3 per cent of all liquids produced with or contained in gas produced from said leases being sold herein and applicable to Beamon's interest therein, regardless of whether such liquids are extracted from the gas. If the parties are unable to agree upon such estimated value, then the amount thereof shall be determined by arbitration as provided in Article X hereof. El Paso agrees that it will endeavor at all times to efficiently operate a plant in the said San Juan Basin for the extraction of such liquids. El Paso agrees to conduct all of its operations in such manner as to reasonably and economically conserve and ultimately recover the maximum amount of liquids reasonably and economically recoverable from said gas.

E. An overriding royalty on Beamon's interest in all oil produced and saved from oil wells not committed to a unit area located on the subject lands being sold herein, and as to oil wells committed to a unit agreement, an overriding royalty on Beamon's interest

in all oil produced and saved from unit lands and allocated to subject lands in units in which said leases and subject lands have been or hereafter are committed, free and clear of all development and operating costs but subject to their share of mineral ad valorem taxes and taxes on and measured by such production, as follows:

(1) Above the top of the Dakota Formation:

An overriding royalty in the amount of 33-1/3 per cent.

(2) Below the top of the Dakota Formation:

An overriding royalty in the amount of 25 per cent.

At Beamon's option Products Company shall deliver to Beamon such overriding royalties described in subparagraphs (1) and (2) above in kind; provided, however, that should Beamon fail to make such an election, Products Company may from time to time dispose of Beamon's share of such oil on a temporary basis and account to Beamon therefor at the same price as is received by Products Company for its share of the oil marketed from said leases covering subject lands. Notwithstanding any provisions of this paragraph, Products Company may from time to time purchase Beamon's share of the oil produced and saved from said leases covering subject lands, paying the market value at the wellhead therefor prevailing for the field where produced on the date of purchase.

F. Regardless of the depth from which production is obtained, whenever a well is classified as a gas well and the production of oil is incidental to gas production, the overriding royalty payable on Beamon's interest in such oil will be 33-1/3 per cent.

G. It is understood that the United States Department of the Interior presently may not approve reservations of the overriding royalties described in this Article III as to federal public domain unless such overriding royalties on any particular lease from which the average production per well per day is, as to oil, fifteen barrels or less, and, as to gas, 500 mcf or less, are converted to a working interest in accordance with the conditions specified in 43 C.F.R. 192.83. It is agreed therefore that Beamon shall in the respective assignments to El Paso and Products Company containing its reservation of such overriding royalties on federal public domain provide for the suspension of such overriding royalties during all periods of time, and only during such periods, such section of the Code of Federal Regulations requires such suspension. In the event suspension of the overriding royalties as specified above is required to conform to the provisions of 43 C.F.R. 192.83, then upon such suspension Beamon shall receive a working interest producing the same revenue.

ARTICLE IV

Price of Wells

At the time of closing provided for in Article IX hereof, El Paso shall pay to Beamon in cash an amount equal to Two Hundred Fifty Thousand Dollars (\$250,000.00) for the two gas wells described in Article II hereof, and Products Company shall pay to Beamon in cash an amount equal to One Hundred Fifty Thousand Dollars (\$150,000.00) for the three oil wells described in said Article II. In any instance where Beamon does not own all of a

particular well, the purchase price thereof shall be reduced proportionately.

ARTICLE V

Payment of Overriding Royalties

El Paso and Products Company, as to each of their respective interests purchased hereunder only, assume and agree to pay as and when the same shall become due and payable all outstanding royalty, overriding royalty, carried and other interests under leases herein sold applicable to all gas, oil and other hydrocarbons produced and saved by El Paso and Products Company from each of their respective interests purchased hereunder and not delivered in kind to Beamon.

El Paso agrees to pay to Beamon at Houston, Texas, on or before the twenty-fifth (25th) day of each month, the overriding royalties reserved by Beamon herein applicable to gas produced and saved from or allocated to the subject land during the preceding calendar month. Should El Paso fail to pay any such amount due to Beamon as and when the same shall become due, then El Paso agrees to pay interest thereon at the rate of six per cent (6%) per annum from the due date or dates until the date of payment thereof.

Products Company agrees to pay to Beamon at Houston, Texas, on or before the twenty-fifth (25th) day of each month, the overriding royalties reserved by Beamon herein applicable to oil produced and saved from or allocated to the subject land during the preceding calendar month. Should Products Company fail to pay any such amount due to Beamon and when the same shall become due, then Products Company agrees to pay interest thereon at the rate of six per cent

(6%) per annum from the due date or dates until the date of payment thereof.

Beamon shall have the right to examine at reasonable times the books, records, laboratory tests and charts of El Paso and Products Company to the extent necessary to verify the accuracy of any statement, test, chart or computation made under or pursuant to any of the provisions of this Agreement.

ARTICLE VI

Development Program

As soon as El Paso shall have completed its geophysical program covering subject lands embraced by said leases, and within three (3) years from July 1, 1958, El Paso shall drill on said leases covering subject lands not less than twelve (12) wells to test the Dakota Formation (which wells may be dually completed in shallower producing sands) at least one (1) of which wells shall be located on the acreage in Township 27 North, Range 8 West, N.M.P.M., and at least one (1) of which wells shall be located on the acreage in Township 26 North, Range 6 West, N.M.P.M., sold by Beamon and purchased by El Paso herein.

Products Company shall not be obligated to perform, or cause to be performed, the drilling of any well upon said oil and gas leases covering subject lands for the development of oil; provided, however, that should oil be discovered on said leases and subject lands, Products Company's obligations for the development of said leases and lands after such discovery shall be those of a reasonably prudent operator with the obligation to conduct such additional

development or reassign oil rights in subject lands considered proven by the discovery.

Whenever either El Paso or Products Company, when conducting drilling operations on subject lands, shall encounter a zone or formation which it considers likely to produce oil, the drilling party shall notify Beamon of such fact and shall conduct such testing as the drilling party considers proper, furnishing Beamon copies of logs, tests, analyses and other data obtained.

El Paso and Products Company each assume and agree to perform and fulfill (as to each of their respective interests purchased hereunder and subject to the terms and provisions of the first two paragraphs of this Article VI) all of the terms, covenants and conditions of the lessee in each of the said leases purchased by it hereunder or in the assignments thereof or other instruments pertaining thereto under which Beamon's title is derived, insofar as they cover and affect the drilling of wells and the production of oil, gas and/or other hydrocarbon substances. El Paso agrees to develop said leases for gas production at such times and in such a manner as to (a) avoid forfeiture of said leases, and (b) comply with the requirements of all governmental agencies having jurisdiction. El Paso and Products Company agree that either by unitization or development and production, El Paso and Products Company shall protect the subject lands against drainage from wells on adjacent lands.

ARTICLE VII

Gas Production

A. El Paso agrees that, as soon as reasonably possible, but

not exceeding forty-five (45) days after the date of completion of each commercial gas well hereafter drilled and completed on the subject lands covered by leases sold to it hereunder, it will connect such well to its gas gathering system and commence and continue taking gas produced therefrom on a ratable basis with all other wells connected to El Paso's pipelines which are producing from the same pool as said well on subject lands. The term "date of completion" as used herein shall mean the date on which the deliverability test required by the State of New Mexico as to any gas well is finished. Any period of time during which adverse weather conditions or inability to acquire right-of-way shall prevent El Paso from working upon such connection shall be added to the forty-five (45) days for making well connections.

B. Failing to connect any commercial gas well on subject lands within the time required by Section 1.a. of this Article, El Paso shall pay to Beamon the sum of Two Hundred and Fifty Dollars (\$250.00) for each month or fraction thereof in excess of forty-five (45) days during which such well is not connected as liquidated damages resulting to Beamon by reason of such failure; provided, that in any instance where Beamon does not own all of a particular well, the payment shall be reduced proportionately.

Oil Production

Products Company's obligation to produce oil from any oil well presently drilled or which may in the future be drilled upon subject lands shall be that of a reasonably prudent oil operator operating wells in the same pool having similar producing abilities.

ARTICLE IX

Date of Closing

Transfer of the interest in said leases from Beamon to El Paso and Products Company being sold hereunder and payment of the cash consideration for the wells thereon, as provided herein, shall take place at El Paso, Texas, on August 1, 1958, or at such other time and place as may be agreed upon by the parties. El Paso and Products Company shall be responsible for all costs and shall own all production from said leases beginning July 1, 1958. At the time of closing, Beamon shall execute and deliver to El Paso and Products Company, or to such other person or persons as El Paso and Products Company may designate, assignments (subject to the reservations and exceptions hereinbefore set forth and containing covenants of general warranty) of Beamon's interest in the leases to be assigned hereunder. Each of the parties hereto shall execute, or cause to be executed by the record owners of such party's interest in the assigned leasehold interest, such other instruments as may be necessary to subject the assigned leasehold interest to the applicable terms and conditions hereof.

Beamon will make and prosecute any applications required by the Federal Power Commission to permit (1) the termination of the Gas Purchase Contracts dated December 16, 1953, and January 22, 1958, described in Article II hereof, between Beamon and El Paso Natural Gas Company by the terms of which El Paso is purchasing the gas produced from the Rincon Unit Nos. 1 and 57

Wells, respectively, and (2) the sale of such gas wells to El Paso because of the sale of the leasehold interests under this Agreement.

ARTICLE X

Arbitration

If and whenever any controversy shall arise out of this Agreement or out of the refusal of either of the parties to perform the whole or any part thereof and the parties shall be unable to agree with respect to such controversy, the same shall be submitted for determination by a board of three arbitrators chosen as follows: Upon written demand of either party and within ten (10) days from the date of such demand, each of the parties shall name an arbitrator and the two arbitrators so named shall promptly thereafter choose a third. If either of the parties shall fail to name an arbitrator within ten (10) days from such demand, the other parties shall name the second arbitrator as well as the first, or if the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon written application by either of the parties such third arbitrator may be appointed by the American Arbitration Association.

The board of arbitrators so chosen shall proceed immediately to hear and determine the question or questions in dispute. The decision of the board of arbitrators or majority thereof shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances. In the event the board or majority thereof should fail to make a decision within sixty (60) days after the appointment of

the third arbitrator, new arbitrators may, at the election of either party, be chosen in like manner as if none had previously been selected.

The decision of the arbitrators shall be drawn up in writing and signed by the arbitrators or a majority of them and shall be final and binding as to the parties hereto and as to any question or questions so submitted to said arbitrators, and said parties shall abide by such decision and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators, all expense in connection with such arbitration, including a reasonable compensation to the arbitrators, shall be divided equally between the parties hereto, with the exception of expenses of counsel, witnesses and employees of the parties hereto, which, unless otherwise determined by the arbitrators, shall be borne by the parties incurring them.

ARTICLE XI

Well Data and Tests

Beamon shall furnish to El Paso and Products Company promptly after the date of closing all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells heretofore drilled by or for Beamon on the subject lands. El Paso and Products Company shall furnish to Beamon promptly all its well logs and pressure and volume data, the results of any and all laboratory tests and all other technical data in connection with all wells which may be hereafter drilled by or for El Paso and Products Company on subject lands.

Beamon shall have the right of ingress and egress at all reasonable times with respect to any lease, lands and any well sold hereunder or the derrick floor of any well which may be drilled pursuant to the terms of this Agreement, for the purpose of inspecting such leases, subject lands, drilling operations, well logs, production operations and exercising such other privileges as Beamon may enjoy in connection with said leases, subject lands and wells.

ARTICLE XII

Force Majeure

The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraint of the government, either federal or state, civil or military, civil disturbances, explosions, breakage or accidents to the lines of pipe used to accomplish delivery hereunder, inability of any party hereto to obtain necessary materials, supplies, or permits, due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both federal and state), including both civil and military, or inability of any purchaser or purchasers of gas from the subject lands to receive gas by reason of force majeure affecting such purchaser or purchasers, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the

discretion of the party having the difficulty, and that any requirements made in this Agreement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by agreeing to the demands of the opposing party when such course is inadvisable in the sole discretion of the party having the difficulty.

ARTICLE XIII

Favored Nations Clause

If El Paso shall hereafter purchase any oil and gas leases covering land situated within two hundred miles of the subject lands and shall pay a higher overriding royalty on gas, considering quality and pressure, than the total overriding royalty stipulated herein for gas or shall pay a higher overriding royalty on the liquid hydrocarbons contained therein, considering quantity and quality, or if El Paso shall hereafter pay any such higher overriding royalty on gas or liquid hydrocarbons pursuant to any lease purchase agreement executed after July 1, 1958, pertaining to land situated within two hundred miles of the subject lands, then El Paso shall thereafter pay to Beamon hereunder such higher overriding royalty for gas or liquid hydrocarbons thereafter produced for so long as El Paso shall pay such higher overriding royalty to others.

The purchase by El Paso of gas rights below the base of the Mesaverde Formation from parties owning overriding royalties on El Paso's gas rights above the base of the Mesaverde Formation at the same overriding royalties applicable to gas produced above the base

of the Mesaverde Formation shall not be considered a new purchase and shall not increase the overriding royalties on gas payable hereunder.

ARTICLE XIV

Rincon Unit

Upon receipt of written request therefor from El Paso and Products Company, Beamon agrees to use its best efforts to have either El Paso or Products Company, as those parties shall direct, designated as such operator of the oil rights to all depths and the gas rights below the Mesaverde Formation in those portions of the subject lands within the Rincon Unit.

ARTICLE XV

Miscellaneous

Whenever requested by El Paso or Products Company, Beamon shall execute or cause to be executed by the record owners of its interest communitization agreements in the usual form when necessary to obtain a legally authorized drilling unit. Whenever El Paso or Products Company desires to include all or any part of the subject lands within a unit agreement or development contract, Beamon shall co-operate with El Paso or Products Company by executing a unit agreement or development contract containing the usual provisions and by requesting necessary approval.

Except for El Paso's and Products Company's obligation to make payments of overriding royalties hereunder and except for the obligation of the parties hereto to make any other cash payment

hereunder, neither of the parties hereto shall be liable for any failure to perform the terms of this Agreement when such failure is due to "force majeure".

No modification of the terms and provisions of this Agreement shall be or become effective except by the execution of supplementary written contracts.

No waiver by either of the parties of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

Except as herein otherwise provided, any notice, request, demand, statement or bill provided for in this Agreement, or any notice which either of the parties may desire to give to the others, shall be in writing and shall be considered as duly delivered when duly deposited in the United States Mail, registered and postage prepaid, addressed to such other parties at their said addresses. Either of the parties may change its address hereunder by giving such a notice thereof to the other parties. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered or ordinary mail. In the event of emergency, notice may be given by telephone or telegraph and confirmed in writing delivered as aforesaid.

This Agreement and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Texas.

This Agreement shall inure to the benefit of and be binding upon the said parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed, and their respective corporate seals to be hereto affixed and attested, as of the date first above written.

WITNESS:

Arthur J. [Signature]

R. E. BEAMON

By: *R. E. Beamon*

ATTEST:

A. Martch
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By: *[Signature]*
Vice President *BRH*

ATTEST:

James W. McClellan Jr.
Assistant Secretary

EL PASO NATURAL GAS PRODUCTS COMPANY

By: *C. L. Moore*
Vice President

THE STATE OF TEXAS |
COUNTY OF HARRIS |

The foregoing instrument was acknowledged before me this 5th day of AUGUST, 1958, by R. E. BEAMON.

WITNESS my hand and official seal.

My Commission Expires:
6-1-59

Arthur J. [Signature]
Notary Public in and for HARRIS
County, Texas

THE STATE OF TEXAS |
COUNTY OF EL PASO |

The foregoing instrument was acknowledged before me this 19
day of August, 1958, by _____,
Vice President of EL PASO NATURAL GAS COMPANY, a Delaware corpora-
tion, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:
M. R. IVEY
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

M. R. Ivey
Notary Public in and for El Paso
County, Texas

THE STATE OF TEXAS |
COUNTY OF EL PASO |

The foregoing instrument was acknowledged before me this 11
day of August, 1958, by C. L. Moore,
Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas
corporation, on behalf of said Corporation.

WITNESS my hand and official seal.

My Commission Expires:
MARY T. SAXON
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1959

Mary T. Saxon
Notary Public in and for El Paso
County, Texas

EXHIBIT "1"

Description of Land and Leases

I

- A. Leases owned by R. E. Beamon committed to the Rincon Unit Agreement dated June 1, 1951.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 079160 Lessee: Lloyd W. Miles
Dated May 1, 1948

Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 1: All
Section 11: All
Section 12: All

containing 1,920.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

2. Santa Fe 079301 Lessee: Coy Lindsey
Dated May 1, 1948

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 6: Lots 3, 4, 5, SE/4 NW/4

containing 161.81 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

3. Santa Fe 079301-A Lessee: Coy Lindsey
Dated May 1, 1948

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 6: Lots 6, 7, E/2 SW/4

containing 161.35 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

4. Santa Fe 079302 Lessee: Otis Wetsel
Dated April 1, 1948

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba
County

Section 6: Lots 1, 2, S/2 NE/4

containing 160.48 acres, more or less.

Record interest of Beamon, undivided one-sixth interest
therein, subject to 5 per cent overriding royalty interest.

5. Santa Fe 079302-B Lessee: Otis Wetsel
Dated April 1, 1948

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba
County

Section 6: SE/4

containing 160.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest
therein, subject to 5 per cent overriding royalty interest.

6. Santa Fe 079364 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba
County

Section 28: All

Section 29: All

Section 30: Lots 1, 2, 3, 4, E/2 W/2, E/2 (All)

Section 31: Lots 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14,
15, 16, SE/4 SW/4, S/2 SE/4 (All)

containing 2,605.33 acres, more or less.

Record interest of Beamon, undivided one-sixth interest
therein, subject to $7\frac{1}{2}$ per cent overriding royalty interest
plus 3 per cent overriding royalty interest on S/2
of Section 28, N/2 of Section 29, S/2 of Section 30 and
S/2 of Section 31.

7. Santa Fe 079365-A Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba
County

Section 22: NE/4, NE/4 SE/4
Section 23: All

containing 840.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on NE/4, NE/4 SE/4 of Section 22 and N/2 of Section 23.

8. Santa Fe 079366 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba
County

Section 19: S/2
Section 21: S/2
Section 22: W/2 W/2, SE/4 SW/4, S/2 SE/4
Section 27: NE/4 SE/4

containing 959.40 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to $7\frac{1}{2}$ per cent plus overriding royalty interest plus 3 per cent overriding royalty interest on S/2 of Section 19, S/2 of Section 21, W/2 SW/4, SE/4 SE/4 of Section 22, and NE/4 SE/4 of Section 27.

9. Santa Fe 079367-A Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba
County

Section 26: All
Section 27: SE/4 SE/4, W/2 SE/4, SW/4

containing 920.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 of Section 26, SE/4 SE/4, W/2 SE/4 of Section 27.

10. Santa Fe 080213 Lessee: Dena Riddle
Dated November 13, 1949

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 28: S/2
Section 33: All
Section 34: W/2

containing 1,280.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest on total production.

11. Santa Fe 080385 Lessee: C. A. Slater
Dated July 1, 1951

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 22: SE/4
Section 23: Lots 1, 2, 3, 4, SW/4 (S/2)
Section 26: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 (All)
Section 27: E/2, SW/4
Section 34: E/2
Section 35: Lots 1 through 16, both inclusive, (All)

containing 2,645.09 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

Oil and Gas Leases, State Lands of New Mexico

12. E-289-29 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 36: SW/4

containing 160.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

13. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 32: W/2 NW/4, NW/4 SW/4, E/2 NE/4, SW/4 SW/4,
SE/4
Section 16: NE/4

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 36: N/2 NE/4, W/2 SE/4, NW/4

containing 880.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest on W/2 SE/4, NW/4 of Section 36, Township 27 North, Range 7 West, N.M.P.M., and on E/2 NE/4, SW/4 SW/4, SE/4 of Section 32 and NE/4 of Section 16, Township 27 North, Range 6 West, N.M. P.M.

14. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 2: SW/4

containing 160 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

B. Leases owned by R. E. Beamon committed to 28-6 Unit by 28-6 Unit Agreement dated May 27, 1953.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 079363 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 1: All
Section 10: NE/4, W/2 SE/4, SW/4, SE/4 SE/4
Section 11: N/2, N/2 SE/4, SE/4 SE/4, SW/4 SW/4
Section 12: All
Section 13: N/2, NE/4 SE/4

containing 2,560.42 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 of Section 1, SW/4, W/2 SE/4, SE/4 SE/4 of Section 10, SW/4 SW/4 of Section 11, N/2 of Section 12, and N/2, NE/4 SE/4 of Section 13.

2. Santa Fe 079365 Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 13: N/2 SW/4, SW/4 SW/4
Section 14: W/2, SE/4, SW/4 NE/4
Section 15: All
Section 24: W/2, W/2 SE/4, NE/4 SE/4

containing 1,720.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to $7\frac{1}{2}$ per cent overriding royalty interest plus 3 per cent overriding royalty interest on N/2 SW/4, SW/4 SW/4 of Section 13, NW/4 of Section 14, and S/2 of Section 15.

3. Santa Fe 079367-B Lessee: Mike Abraham
Dated August 1, 1948

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 25: W/2, SE/4, W/2 NE/4

containing 560.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to $10\frac{1}{2}$ per cent overriding royalty interest.

Oil and Gas Leases, State Lands of New Mexico

4. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 2: Lot 1 (NE/4 NE/4), Lots 2, 3, 4 (NW/4 NE/4, N/2 NW/4), W/2 SW/4, SE/4

containing 400.42 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest on Lot 1, W/2 SW/4, SE/4.

- C. Leases owned by R. E. Beamon committed to Blanco Development Contract (No. 1) dated November 28, 1951.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 078461 Lessee: Arne B. Filan
Dated October 1, 1947

Township 27 North, Range 8 West, N.M.P.M., San Juan County

Section 5: All

containing 642.67 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to proportionate part of 4 per cent overriding royalty interest.

2. Santa Fe 078571 Lessee: S. Victor Day
Dated May 1, 1948

Township 27 North, Range 8 West, N.M.P.M., San Juan County

Section 7: All

containing 640.44 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to proportionate part of 5 per cent overriding royalty interest.

- D. Leases owned by R. E. Beamon committed to Blanco Development Contract No. 5, dated December 10, 1956.

Oil and Gas Leases, State Lands of New Mexico

1. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 26 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 36: E/2

containing 320 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

- E. Leases owned by R. E. Beamon committed to Huerfano Unit by Huerfano Unit Agreement, dated July 29, 1949.

Oil and Gas Leases, State Lands of New Mexico

1. E-2659-6 Lessee: El Paso Natural Gas Company
Dated May 10, 1949

Township 27 North, Range 10 West, N.M.P.M., San Juan County

Section 32: E/2

containing 320.00 acres, more or less.

Record interest of Beamon, all, subject to 5 per cent overriding royalty interest on total production of oil and gas.

- F. Leases owned by R. E. Beamon committed to 28-7 Unit by 28-7 Unit Agreement dated November 18, 1952.

Oil and Gas Leases, State Lands of New Mexico

1. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 7 West, N.M.P.M., Rio Arriba County

Section 2: Lots 1, 3, 4, SE/4 NE/4, NE/4 SE/4, SW/4, SW/4 SE/4

containing 398.54 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest on Lots 3, 4, SW/4, SW/4 SE/4.

- G. Leases owned by R. E. Beamon not committed to any unit or development contract.

Federal Oil and Gas Leases Situated in New Mexico

1. Santa Fe 079302-A Lessee: Otis Wetsel
Dated April 1, 1948

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 20: N/2 NW/4, SW/4 NW/4, SW/4, SW/4 SE/4

containing 320.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest therein, subject to 5 per cent overriding royalty interest.

Oil and Gas Leases, State Lands of New Mexico

2. E-291-35 Lessee: Levi A. Hughes Dated May 2, 1945

Township 25 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 2: Lots 1, 2, 3, S/2 NE/4, SE/4 NW/4

Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 32: NE/4, S/2 SW/4

Section 36: S/2, E/2 NE/4, W/2 NW/4

containing 961.33 acres, more or less.

Record interest of Beamon, undivided one-sixth interest subject to 5 per cent overriding royalty interest on S/2 of Section 36, Township 26 North, Range 6 West; on Lots 1, 2, S/2 NE/4 of Section 2, Township 25 North, Range 6 West; on NE/4 of Section 32 and W/2 NW/4 of Section 36, Township 26 North, Range 6 West, N.M.P.M.

3. E-290-28 Lessee: Levi A. Hughes Dated May 2, 1945

Township 27 North, Range 6 West, N.M.P.M., Rio Arriba County

Section 36: E/2 SW/4, E/2, W/2 NW/4

containing 480.00 acres, more or less.

Record interest of Beamon, undivided one-sixth interest, subject to 5 per cent overriding royalty interest on E/2, W/2 NW/4 of Section 36.

El Paso Natural Gas Company

El Paso, Texas

March 9, 1959

Amendment #7 to GLA 76
Amendment #4 to GLA 77
Amendment #1 to GLA 348
Amendment #1 to GLA 350

Texas National Petroleum Company
902 South Coast Building
Houston 2, Texas

Mr. R. E. Beamon
1303 Esperson Building
Houston 2, Texas

Gentlemen:

This letter, when accepted by you in the space provided below, will constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 6, 1953, as previously amended, which agreements are recorded respectively in Book 16, Page 489, and Book 21, Pages 57-70 of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements, as amended, and the record thereof is here made for all purposes.

This letter will also constitute an amendment to our Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, which agreements are recorded respectively in Book _____, Page _____, and Book _____, Page _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said agreements and the record thereof is here made for all purposes.

You agree that the Pictured Cliffs and Mesaverde development obligations imposed upon El Paso Natural Gas Company under the aforesaid Oil and Gas Lease Sale Agreements dated July 6, 1953, as amended, are extended from July 4, 1961 and August 8, 1961 until December 31, 1962. You grant this extension of time in consideration for our agreeing to drill on the lands subject to said agreements, eight (8) wells during the calendar year 1959 to test the Dakota Formation (which wells may be dually completed in shallower producing sands).

Texas National Petroleum Company
Mr. R. E. Beamon

-2-

March 9, 1959

We agree that the development obligations imposed upon us under the aforesaid Oil and Gas Lease Sale Agreements dated July 29, 1958 and August 5, 1958, respectively, are shortened by one year, or until July 1, 1960.

It is understood that in all other respects, the above described Oil and Gas Lease Sale Agreements as heretofore amended, and as herein modified, will remain unchanged and in full force and effect.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Arnold P. Howell
Attorney in Fact

ACCEPTED AND APPROVED THIS 22

DAY OF March, 1959.

TEXAS NATIONAL PETROLEUM COMPANY

By H. A. Whaley
Vice President

EL PASO NATURAL GAS PRODUCTS COMPANY

By Roland L. Hambleton EN

ACCEPTED AND APPROVED THIS 20th

DAY OF July, 1959.

R. E. Beamon
R. E. BEAMON

SECOND AMENDMENT OF
OIL AND GAS LEASE SALE AGREEMENT

G-1A-350

THIS AMENDMENT is made and entered into this 8th day of September, 1959, by and between R. E. BEAMON, an individual, whose mailing address is 1303 Mellie Esperson Building, Houston 2, Texas (hereinafter referred to as "Beamon") and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso"), and EL PASO NATURAL GAS PRODUCTS COMPANY, a Texas corporation, whose mailing address is Post Office Box 1161, El Paso, Texas, (hereinafter referred to as "Products Company");

W I T N E S S E T H:

WHEREAS, Beamon, El Paso, and Products Company made and entered into that certain Oil and Gas Lease Sale Agreement dated August 5, 1958, recorded in Book _____, pages _____, of the Deed Records of Rio Arriba County, New Mexico, reference to said Agreement and the record thereof here made for all purposes; and

WHEREAS, said Beamon, El Paso, and Products Company amended said Agreement by that certain First Agreement of Oil and Gas Lease Sale Agreement dated March 9, 1959, to provide for the shortening of the time within which El Paso is obligated to discharge certain development obligations as described therein; and

WHEREAS, said Beamon, El Paso, and Products Company desire to modify and amend the Oil and Gas Lease Sale Agreement,

August 5, 1958, by this Second Amendment of Oil and Gas Lease Sale Agreement to (1) correct the numbering of certain articles of said Agreement, (2) redefine the term "date of completion" as the same appears in Article VII A. of said Agreement, (3) provide for the "workover" of any gas well covered by said Agreement, (4) redefine the term "date of completion" as the same applies to a gas well drilled and completed as a dual well under said Agreement, and (5) provide for the treatment of a gas well drilled and completed as a dual well under said Agreement with respect to the penalty to be paid by El Paso for failure to connect each commercial gas well drilled and completed on lands covered by said Agreement;

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Beamon, El Paso, and Products Company have agreed and do agree as follows:

1. Articles IX, X, XI, XII, XIII, XIV and XV of the original Agreement are hereby amended by renumbering the same VIII, IX, X, XI, XII, XIII and XIV, respectively.

2. Article VII A. of the original Agreement is hereby amended and modified as follows:

a. The word "deliverability" is deleted from the second sentence of the first paragraph thereof and there is substituted, in lieu thereof, the words "initial potential."

b. The following paragraphs are added after the first paragraph thereof:

"It is agreed by Beamon, El Paso, and Products Company that El Paso has the right to workover any gas well or wells covered by this Agreement which in El Paso's sole judgment may require such treatment. El Paso shall not be obligated to take gas from any such well or wells during the period of time workover operations are being conducted.

"The term "date of completion", when applied to a gas well drilled and completed as a dual well under the terms of this Agreement, shall mean the date on which the initial potential test required by the State of New Mexico as to any gas well is finished as to the zone or horizon in which the well was last completed."

2. Article VII B. of the original Agreement is hereby amended by deleting the period appearing at the end of the first paragraph thereof and adding to the paragraph the following:

"; and, provided further, that for purposes of this Article VII B. any gas well drilled and completed as a dual well under the terms of this Agreement shall be considered as two wells."

In all other respects, said original Oil and Gas Lease Sale Agreement as heretofore and hereby amended and modified is ratified, confirmed and declared to be in full force and effect.

IN WITNESS WHEREOF, the parties have executed this instrument on the day and year first hereinabove stated to

become effective January 1, 1959.

R. E. BEAMON

WITNESS:

Hester Sampson

~~ATTEST:~~

~~ATTEST:~~

Assistant Secretary

R E Beamon

EL PASO NATURAL GAS COMPANY

By: *Ernest L. Howell*

~~Vice President~~
ATTORNEY-IN-FACT

EL PASO NATURAL GAS PRODUCTS COMPANY

By: *Poland L. Combs*

~~Vice President~~
Attorney-in-Fact

THE STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me
this 8th day of SEPTEMBER, 1959, by R. E.
BEAMON.

WITNESS my hand and official seal.

Hester Sampson

Notary Public in and for
HARRIS County,
Texas

My Commission Expires:

6-1-61

THE STATE OF TEXAS
COUNTY OF EL PASO

The foregoing instrument was acknowledged before me
this 26 day of October, 1959, by BEN B. HOWELL
ATTORNEY - IN - FACT, Vice President of EL PASO
NATURAL GAS COMPANY, a Delaware corporation, on behalf of said
Corporation.

WITNESS my hand and official seal.

M B Lewis
Notary Public in and for
El Paso County, Texas

My Commission Expires:

M. B. V. Y

Notary Public in and for El Paso County, Texas

My Commission Expires June 1, 1961

THE STATE OF TEXAS
COUNTY OF EL PASO

The foregoing instrument was acknowledged before me
this 22 day of October, 1959, by _____
Roland L. Hamblin Attorney-in-Fact, Vice President of EL PASO
NATURAL GAS PRODUCTS COMPANY, a Texas corporation, on behalf of
said Corporation.

WITNESS MY HAND and official seal.

Mary T. Saxon
Notary Public in and for
El Paso County, Texas

My Commission Expires:

MARY T. SAXON

Notary Public in and for El Paso County, Texas

My Commission Expires June 1, 1961

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

July 11, 1985

(HAND-DELIVERED)

RECEIVED
JUL 11 1985
OIL CONSERVATION DIVISION

Mr. Gilbert Quintana
Hearing Examiner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088


Re: In the Matter of the Application of Caulkins Oil
Company, for Compulsory Pooling, Rio Arriba
County, New Mexico
Case No. 8640

Dear Mr. Quintana:

I enclose a proposed form of Order reflecting the
testimony presented by Caulkins Oil Company in
connection with the above cause on July 2, 1985.

As you are aware, our lease expires in the near
future and we would appreciate your expeditious
approval of this Order.

Sincerely,


Karen Aubrey

KA:mh

cc: Perry Pearce, Esq., (w/enclosure)
Mr. Charles Verquer (w/enclosure)

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

RECEIVED

JUL 1 1985

OIL CONSERVATION DIVISION

IN THE MATTER OF THE
APPLICATION OF CAULKINS
OIL COMPANY, FOR
COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

Case No. 8640

Order No. _____

PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This matter came on for hearing at 8:00 a.m. on July 2, 1985 at Santa Fe, New Mexico before, Examiner Gilbert Quintana.

NOW, on this _____ day of July, 1985, the Division Director, having considered the testimony, the record, the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

1. That due public notice having been given as required by law the Division has jurisdiction of this cause and the subject matter thereof.

2. That the Applicant, Caulkins Oil Company, seeks an order pooling all mineral interests in the Dakota, Blanco Mesa Verde, Pictured Cliffs and Chacra formations underlying the N/2 of Section 20, T26N, R6W, approval of dual completion of the Kaime #1 R, and downhole commingling of the Blanco Mesa Verde and Dakota formations, and the Pictured Cliffs and Chacra formations.

3. That the N/2 of Section 20, T26N, R6W is a standard 320 acre spacing unit for the Blanco Mesa Verde and Dakota formations and the NE/4 of Section 20, T26N, R6W, is a standard 160 acre spacing unit for the Pictured Cliffs and Chacra formations.

4. That there is an interest owner in the proposed proration unit, El Paso Natural Gas Company/Meridian Oil, Inc., who has not agreed to pool its interest.

5. That to avoid the drilling of unnecessary wells, to prevent waste and to protect correlative rights and to afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit in the Dakota, Blanco Mesa Verde, Pictured Cliffs and Chacra formations.

6. That the Applicant, Caulkins Oil Company should be designated the operator of the subject well and unit.

7. That the uncontroverted evidence established that 120/320 of the acreage in the proposed spacing unit is under lease to Meridian Oil, Inc. and/or El Paso Natural Gas Company, and that El Paso Natural Gas Company, predecessor in interest to Meridian Oil, Inc. created overriding royalty burdens on that 120/320 of \$3.96 and \$3.73 per mcf.

8. That those overriding royalty burdens are in excess of a reasonable overriding royalty.

9. That the uncontroverted evidence established that for each \$858.37 of income attributable to Meridian's interest in the well per day, Meridian Oil must pay out \$1,508.76 per day, leaving Meridian with a negative daily working interest of \$650.39.

10. That if Meridian Oil proved to be a non-consenting participant in the proposed well, payout

for its interest would never occur.

11. That it would not be just and reasonable to require owners of participating interests in the proposed spacing unit to bear the cost and risk associated with a one-half interest in the well which would never pay out.

12. That compulsory pooling of the proposed proration unit under such conditions would not be just or reasonable.

13. That to compulsorily pool the entire N/2 of said Section 20 in the Blanco Mesa Verde and Dakota formations would cause the operator of the well to bear an unreasonable, and therefore unnecessary, cost burden as to that portion of the proration unit bearing said overriding royalty.

14. That in order to protect correlative rights, prevent waste, and to avoid compulsory pooling under terms that are not just or reasonable, any compulsory pooling order issuing in this case should provide for voluntary reduction of the overriding royalty for the N/2 NW/4 and the SW/4 NW/4 to a reasonable figure, within a reasonable time, or for the pooling of the N/2 of said Section 20 exclusive of the N/2 NW/4 and the SW/4 NW/4 for the Blanco Mesa Verde and Dakota formations.

15. That, subject to conditions contained in Finding No. 14 above, to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in the Blanco Mesa Verde and Dakota formations lying under the proposed spacing unit, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

16. That Applicant should be permitted to recover from the non-consenting working interest owner its proportionate share of the costs of drilling and completing the Kaime 1-R.

17. That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated and actual well costs to the operator in lieu of paying his share of reasonable well costs out of production.

18. That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling and completing the subject well.

19. That substantial evidence supports a 200% risk factor, including, but limited to the fact that the cumulative production map introduced as Exhibit 3 shows that the proposed location is outside or on the edge of established production for the four formations, there are mechanical risks involved in the completion of the well in four zones and there are substantial risks of obtaining commercial production in any formation.

20. That any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

21. That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that estimated well costs reasonably paid exceed reasonable well costs.

22. That \$3,000.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling and completing the Kaime #1 R and that \$400.00 per month should be fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings.

23. That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

24. That upon failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before the expiration of 120 days from the effective date of this order, the order pooling said unit should become null and void and of no effect whatsoever, unless, for good cause, the Division Director shall extend said time limit.

25. That approval of the subject application will afford the Applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

26. That in the event commercial production is achieved in the Dakota, Blanco Mesa Verde, Pictured Cliffs and Chacra formations dually producing and commingling production from the Kaime #1-R from the Dakota and Blanco Mesa Verde formations and the Pictured Cliffs and Chacra formations constitutes reasonable, prudent and economical operation of the well.

IT IS THEREFORE ORDERED:

1. That all mineral interests whatever they may be in the Blanco Mesa Verde and Dakota formations underlying the N/2 of Section 20, T26N, R6W, are hereby pooled to form a standard 320-acre spacing unit in the Blanco Mesa Verde and Dakota formations dedicated to the Kaime #1-R Well and that all mineral interests whatever they may be in the Pictured Cliffs and Chacra formations underlying the NE/4 of Section 20, T26N, R6W are hereby pooled to form a standard 160 acre spacing unit in the Pictured Cliffs and Chacra formations dedicated to the

Kaime #1-R Well.

PROVIDED HOWEVER that the operator of said unit shall commence drilling on or before the expiration of 120 days after the effective date of this order, and shall thereafter continue the completion of said well with due diligence.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the expiration of 120 days after the effective date of this order; Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that said well not be completed, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Caulkins Oil Company is hereby designated the operator of the subject well and unit.

(3) That within 30 days from the date the schedule of estimated well costs is furnished to Meridian Oil, Inc., it shall make an election to voluntarily reduce overriding royalty not in excess of a total 12.5 percent for its 120 acre lease, and in the event it does not make that election, the N/2 NW/4 and the SW/4 NW/4 of said Section 20 shall be excluded from the proration and spacing unit and the Division shall automatically approve the unit as a non-standard proration and spacing unit consisting of all of the N/2 of Section 20 except the N/2 NW/4 and the SW/4 NW/4.

(4) That the operator shall notify the Division of the decision of Meridian Oil, Inc., requesting approval of the non-standard proration unit if said party chooses to not amend its overriding royalty interest.

(5) That after the effective date of this order and within 90-days prior to commencing said

well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(6) That within 30 days from the date the schedule of estimated well costs is furnished to them, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90-days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45-days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(8) That within 60-days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) That the operator is hereby authorized to withhold the following costs and charges from production.

(a) The pro rata share of reasonable well costs as set forth in Paragraphs 9 and 10 above, attributable to each non-consenting working interest owner

who has not paid his share of estimated well costs within 30-days from the date the schedule of estimated well costs is furnished to them.

(b) As a charge for the risk involved in the drilling of the well, 200% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30-days from the date the schedule of estimated well costs is furnished to them.

(10) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) That \$3,000.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$400.00 per month is hereby fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings; that the charges are in addition to those previously approved for the Dakota, Blanco Mesa Verde, Pictured Cliffs and Chacra formations.

(12) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) That any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30-days from the date of first deposit with said escrow agent.

(15) That the Applicant, Caulkins Oil Company is hereby authorized to dually complete the Kaime #1-R located 911 feet from the North line and 1,158 feet from the East line, Section 20, T26N, R6W.

(16) That the Applicant, Caulkins Oil Company is hereby authorized to downhole commingle production from the Blanco Mesa Verde and Dakota, and the Pictured Cliffs and Chacra formations.

(17) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, new Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

RICHARD L. STAMETS
DIRECTOR

50 YEARS



1935 - 1985

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



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

October 4, 1985

Karen Aubrey
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Re: Case No. 8640
Order No. R-7998

Dear Ms. Aubrey:

Based upon your written request and the authority granted me in Order No. R-7998, Caulkins Oil Company is hereby granted an extension of time in which to commence the drilling of the well on the unit pooled by said order to two dates:

a date determined as follows:

- (1) March 1, 1986; or,
- (2) such earlier or later date as may be set by the Commission following any de novo hearing in this case.

Sincerely,

R. L. STAMETS
Director

RLS/fd



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

50 YEARS



1935 - 1985

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

January 15, 1986

Ms. Karen Aubrey
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: Case No. 8640
Order No. R-7998

Dear Ms. Aubrey:

Based upon your written request and the authority granted me in Order No. R-7998, Caulkins Oil Company is hereby granted an extension of time to commence the drilling of the well on the unit pooled by said order to the earlier of the following two dates:

- (1) 90 days following dismissal of the de novo application, or
- (2) the date set for commencement in any order approving the application following a de novo hearing.

Sincerely,

R. L. STAMETS
Director

RLS/fd

*Karen agreed
to intervention*

*Did not
issue stay
order*

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

TO THE DIRECTOR OF THE OIL
CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Case No. 8640
Order No. R-7998

APPLICATION OF CAULKINS OIL
COMPANY FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

MOTION IN INTERVENTION OF UNION OIL
COMPANY OF CALIFORNIA AND REQUEST FOR STAY

COMES NOW Union Oil Company of California, by and through its undersigned counsel and hereby moves that it be allowed to intervene in the instant proceeding. Further, movant requests that Order No. R-7998 issued by the Division on August 8, 1985 be stayed. In support thereof, Union Oil Company of California states:

1. Union Oil Company of California is the owner of certain overriding royalty interests in the N/2 of Section 20, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico, which lands are the subject of Order No. R-7998.

2. Union Oil Company of California was not a party to the proceeding leading to the promulgation of Order No. R-7998, nor was it provided with notice thereof.

3. Among other things, Order No. R-7998 provides that the operator and owner of certain working interests, Meridian Oil Inc. shall voluntarily reduce the overriding royalty bonus within thirty (30) days from the date the schedule of estimated well costs is furnished to it. In that connection, the estimated well costs were furnished to Meridian by the applicant, Caulkins Oil Company, on August 12, 1985.


4. Subject to a proceeding presently pending before the Federal Energy Regulatory Commission (FERC) the movant expects to be allowed to succeed to certain of the working interest now held by Meridian Oil Inc. by the conversion of its overriding royalty interests.

5. The movant has an interest in the lands likely affected by the actions and order of the Oil Conservation Division.

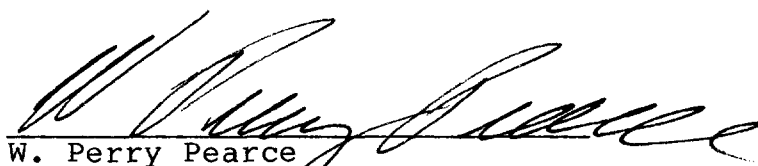
WHEREFORE, the movant, Union Oil Company of California, hereby requests that the Oil Conservation Division enter its order allowing the intervention of Union Oil Company of California and that the order entered in this case, Order No. R-7998 be stayed pending the issuance of an order de novo by the Oil Conservation Commission.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By 
J. Scott Hall
Post Office Box 2208
Santa Fe, New Mexico 87501
(505) 988-4421

ATTORNEYS FOR UNION OIL
COMPANY OF CALIFORNIA



W. Perry Pearce
Montgomery & Andrews
Post Office Box 2307
Santa Fe, New Mexico 87501

ATTORNEYS FOR MERIDIAN OIL
INC. AND EL PASO NATURAL
GAS COMPANY

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

TO THE DIRECTOR OF THE OIL
CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Case No. 8640
Order No. R-7998

APPLICATION OF CAULKINS OIL
COMPANY FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER

THIS MATTER having come before the Director of the Oil Conservation Division upon the Motion In Intervention of Union Oil Company of California and upon its request for stay, and the Director being fully advised in the premises

IT IS ORDERED

1. That Union Oil Company of California be allowed to intervene in the instant proceeding; and

2. That Order No. R-7998 is hereby stayed pending the issuance of an order de novo by the Oil Conservation Commission.

September 11, 1985.

R. L. STAMETS, Director

50 YEARS



1935 - 1985



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

August 9, 1985

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

Ms. Karen Aubrey
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 8640
ORDER NO. R-7998

Applicant:
Caulkins Oil Company

Dear Madam:

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 W. Perry Pearce

Quintana

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

August 15, 1985

RECEIVED

AUG 15 1985

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

OIL CONSERVATION DIVISION

"Hand Delivered"

Re: New Mexico Oil Conservation Division Order R-7998
Application of Caulkins Oil Company for forced
pooling, dual completion, non-standard proration
unit, Rio Arriba County, New Mexico, Case 8640

Dear Mr. Stamets:

On behalf of Caulkins Oil Company and pursuant
to Order Paragraph (5) of Order R-7998, we have
furnished to the known working interest owner our
notice letter dated August 12, 1985, with attachments.

Enclosed for your records are copies of that notice
letter and copies of the certified mail return receipts
showing service on Meridian Oil Inc./El Paso Natural
Gas on August 13, 1985.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Meridian Oil, Inc.
El Paso Natural Gas Company
P. O. Box 990
Farmington, New Mexico 87499

W. Perry Pearce, Esq.
Montgomery Law Firm
Attorneys at Law
P. O. Box 2307
Santa Fe, New Mexico 87504

KELLAHIN and KELLAHIN

Richard L. Stamets
August 15, 1985
Page 2

cc: Arnold Raether
Caulkins Oil Company
2100 Colorado Bank Building
Denver, Colorado 80202

Mr. Charles Verquer
Caulkins Oil Company
P. O. Box 780
Farmington, New Mexico 87401

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

August 12, 1985

Meridian Oil, Inc.
El Paso Natural Gas Company
P. O. Box 990
Farmington, New Mexico 87499

"Certified"
Return Receipt Requested

Attn: Mr. Van Gobel

W. Perry Pearce, Esq.
Montgomery Law Firm
Attorneys at Law
P. O. Box 2307
Santa Fe, New Mexico 87504

"Certified"
Return Receipt Requested

Re: New Mexico Oil Conservation Division Order R-7998
Application of Caulkins Oil Company for forced
pooling, dual completion, non-standard proration
unit, Rio Arriba County, New Mexico, Case 8640

Gentlemen:

On behalf of Caulkins Oil Company and pursuant to New Mexico Oil Conservation Division Order R-7998, copy enclosed, I am submitting to you a copy of Caulkins' schedule of estimated well costs for its Kaime 1-R well which is the subject of the referenced hearing. The enclosed schedule of estimated well costs is the same schedule that was submitted as part of Caulkins' exhibit 1 at the hearing held on July 2, 1985, in the referenced case.

Please note the terms of the order, including the provisions that requires Meridian Oil, Inc., to make an election within 30 days of receipt of this letter to:

(a) reduce its overriding royalty to not more than 12.5% for its 120 acre lease, and

(b) to prepay its share of the estimated well costs to Caulkins Oil Company, 2100 Colorado Bank Building, Denver, Colorado 80202.

KELLAHIN and KELLAHIN

Meridian Oil, Inc.
W. Perry Pearce, Esq.
August 12, 1985
Page 2

In the event Meridian Oil, Inc., fails to timely make its election, then Caulkins shall proceed with a well dedicated to the approved non-standard proration and spacing unit thereby excluding the Meridian Oil, Inc., acreage.

Very truly yours,

Original signed by
W. THOMAS KELLAHIN

W. Thomas Kellahin

WTK:ca
Enc.

cc: Arnold Raether
Caulkins Oil Company
2100 Colorado Bank Building
Denver, Colorado 80202

Mr. Charles Verquer
Caulkins Oil Company
P. O. Box 780
Farmington, New Mexico 87401

KAIME 1-R

COST ESTIMATE FOR DEVELOPMENT WELL

Drill and complete a flowing Dakota-Mesa Verde, Chacra and
Picture Cliff Well to TD 7150'

<u>ITEM DESCRIPTION</u>	<u>COST</u>
Survey Location, Archaeology Clearance	\$ 800.00
Well Sign, Safty Anchors	480.00
Build Location	5,000.00
Cement Surface Casing Including Float Equipment	3,236.00
Drill Well, (7150' @ \$15.36) Includes 1st \$7,500.00 Mud and Water	109,824.00
Excess Mud and Water	34,000.00
Logging, ES Gamma (Open Hole)	7,700.00
Cementing, 5 1/2" Casing, 3 Stages, Circulate Cement	22,000.00
Logging, Perforating, Set Plugs (Cased Hole)	9,000.00
Well Stimuåation, Dakota, Mesa Verde, Chacra and Pictured Cliffs	90,000.00
Rental Equipment, Frac Tanks, 2 3/8" Tubing, Bridge Plugs, etc.	14,000.00
Hauling, (Casing, Tubing, Frac Water, Completion Water, Prod Tanks, etc.)	10,000.00
5 1/2" Casing Float Equipment for 3 Stage Cementing	6,500.00
Location and Pit Clean-up	4,000.00
Day Work, Drilling Rig	4,300.00
Completion Rig, 120 Hours @ 140.00	16,800.00
Misc. (Completion Bits, Roustabout Labor, Welder, etc.)	14,000.00
Company Labor, Supervision, Engineering and Overhead	7,600.00
	<u>\$359,240.00</u>
4 3/4% Tax	17,063.90
Total Intangible and Non Controlable Costs	\$376,303.90

CASING and TUBING

400' of 9 5/8" OD 32.40# Casing @ \$15.52	\$ 6,300.00
5150' of 5 1/2" OD 15.5# Casing, ST&C, K-55 @ \$7.46	38,419.00
1000' of 5 1/2" OD 17# Casing, DT&C, K-55 @ \$7.98	7,980.00
1000' of 5 1/2" OD 17# Casing, LT&C, K-55 @ \$8.36	8,360.00
5100' of 1 1/4" OD 2.3# Tubing, NU K-55 @ \$1.89	9,639.00
7100' of 1 1/2" OD 2.9# Tubing, EUE K-55 @ \$2.41	17,111.00

SURFACE EQUIPMENT - DUAL EQUIPMENT

Well Head	12,719.00
Dual Packers and Seals	7,208.00
Prod. Tanks, 2 - 300 bbl Includes Walkway and Stairway	7,400.00
Separators, 1 - 13-A or equivalent	10,385.00
Installation , Fittings and Service	6,500.00
	<u>\$132,021.00</u>
4 3/4% Tax	6,271.00
Total Tangible and Non Controlable Cost	\$138,292.00

Total Well Cost \$514,595.90

KAIME 1-R

Estimated cost to working interest owners: \$514,595.90

Approx gas production @ \$2.25 to pay-out equals 225,000,000

Pictured Cliffs off-set (worst well)	15 MCFPD
Chacra off-set (worst well)	14 MCFPD
Mesa Verde off-set (worst well)	97 MCFPD
Dakota off-set (worst well)	187 MCFPD

Approx production days to pay-out @ 313 MCFPD 720 days

Pictured Cliffs off-set (best well)	33 MCFPD
Chacra off-set (best well)	40 MCFPD
Mesa Verde off-set (best well)	186 MCFPD
Dakota off-set (best well)	510 MCFPD

Approx production days to pay-out @ 769 MCFPD 293 days

Difference between worst and best 427 days $427 + 293 = 506$ days

Approx production days to pay-out @ 763 MCFPD 295 days

Note: Above well No. 307-M completed same manner as proposed well.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8640
Order No. R-7998

APPLICATION OF CAULKINS OIL
COMPANY FOR COMPULSORY POOLING,
RIO ARRIBA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on July 2, 1985, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 8th day of August, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Caulkins Oil Company, seeks an order pooling all mineral interests in the Basin-Dakota and Blanco-Mesaverde Pools underlying the N/2 of Section 20, Township 26 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, to form a standard 320-acre gas spacing and proration unit in both pools, and an order pooling all mineral interests in the Pictured Cliffs and Chacra formations underlying the NE/4 of said Section 20, to form a standard 160-acre gas spacing and proration unit in both formations, to be dedicated to a well to be drilled at a standard location thereon.

(3) The applicant further seeks approval to downhole commingle Blanco-Mesaverde and Basin-Dakota production, to downhole commingle Pictured Cliffs and Chacra production, and finally to dually complete through parallel strings of tubing both commingled production streams in the subject well.

(4) The applicant has the right to drill and proposes to drill a well at a standard location in the NE/4 of Section 20.

(5) There is an interest owner in the proposed proration unit, El Paso Natural Gas Company/Meridian Oil, Inc., who has not agreed to pool its interest.

(6) The N/2 of said Section 20 is a standard 320-acre spacing and proration unit for the Blanco-Mesaverde and Basin-Dakota Pools and the NE/4 of the same section is a standard 160-acre spacing and proration unit for the Pictured Cliffs and Chacra formations.

(7) Evidence was presented establishing that 120 acres of the proposed 320-acre spacing unit, being the N/2 NW/4 and SW/4 NW/4 of said Section 20, is under lease to Meridian Oil, Inc. and/or El Paso Natural Gas Company, and that El Paso Natural Gas Company, predecessor in interest to Meridian Oil, Inc., hereafter referred to as "Meridian", created overriding royalty burdens on said 120 acres of \$3.96 and \$3.73 per mcf of gas.

(8) Evidence was also presented that for each \$858.37 of income per day attributable to Meridian's interest in said well, Meridian must pay out \$1,508.76 per day, leaving Meridian with a negative daily working interest of \$650.39.

(9) If Meridian proved to be a non-consenting participant in the proposed well, payout for its interest would never occur.

(10) Participating working interest owners in the proposed spacing unit will be required to bear the cost and risk of drilling the well in which one-half interest of the well will never pay out.

(11) Said overriding royalty burden placed on Meridian's acreage is in excess of reasonable overriding royalties based on current economic and marketing conditions.

(12) Compulsory pooling of the proposed proration unit under such conditions would not be just or reasonable.

(13) To compulsorily pool the entire N/2 of said Section 20 in the Blanco-Mesaverde and Dakota formations would cause the operator of the well to bear an unreasonable, and therefore unnecessary, cost burden as to that portion of the proration unit bearing said overriding royalty.

(14) In order to protect correlative rights, prevent waste, and to avoid compulsory pooling under terms that are not just or reasonable, any compulsory pooling order issuing in this case should provide for voluntary reduction of the overriding royalty for the N/2 NW/4 and the SW/4 NW/4 of said Section 20 to a reasonable figure, within a reasonable time, or for the pooling of the N/2 of said Section 20 exclusive of the N/2 NW/4 and the SW/4 NW/4.

(15) Subject to the conditions contained in Finding No. (14) above, to avoid the drilling of unnecessary wells, to prevent waste and to protect correlative rights and to afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in any pool thereunder, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units in the Basin-Dakota and Blanco-Mesaverde Pools and the Pictured Cliffs and Chacra formations.

(16) The applicant, Caulkins Oil Company, should be designated the operator of the subject well and unit.

(17) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated and actual well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(18) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling and completing the subject well.

(19) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(20) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that estimated well costs reasonably paid exceed reasonable well costs.

(21) A cost of \$3,000.00 per month while drilling and \$400.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(22) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(23) Upon failure of the operator of said pooled units to commence drilling of the well to which said units are dedicated on or before November 1, 1985, the order pooling said unit should become null and void and of no effect whatsoever.

(24) The applicant's request to downhole commingle the Blanco-Mesaverde and Basin-Dakota Pools, and the Pictured Cliffs and Chacra formations, and to dually complete the respective commingled streams with parallel strings of tubing will not result in reservoir damage, waste, or the violation of any correlative rights.

(25) The applicant's request to complete the subject well as described in Finding No. (24) above should be granted provided the supervisor of the Division's Aztec District Office is consulted in approving the specific details of such a completion.

(26) The applicant should consult with the supervisor of the Division's Aztec District Office to formulate a reasonable allocation of production from each respective producing zone and an assignment of an allowable to the well.

(27) The results of the allocation determination should be delivered to the Division's Santa Fe office for incorporation into the records of this case.

(28) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool, will prevent economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Blanco-Mesaverde and Basin-Dakota Pools underlying the N/2 of Section 20, Township 20 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a standard 320-acre spacing and proration unit and all mineral interests, whatever they may be, in the Pictured Cliffs and Chacra formations underlying the NE/4 of said Section 20 are hereby pooled to form a standard 160-acre spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence drilling of said well on or before November 1, 1985, and shall thereafter continue the completion of said well with due diligence.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before November 1, 1985, Order (1) of this order shall be null and void and of no effect whatsoever.

PROVIDED FURTHER THAT, should said well not be completed within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) Caulkins Oil Company is hereby designated the operator of the subject well and unit.

(3) Within 30 days from the date the schedule of estimated well costs is furnished to Meridian Oil, Inc., it shall make an election to voluntarily reduce overriding royalty not in excess of a total 12.5 percent for its 120-acre lease, and in the event it does not make that election, the N/2 NW/4 and the SW/4 NW/4 of said Section 20 shall be excluded from the proration and spacing unit and the Division shall upon written request automatically

approve the unit as a non-standard proration and spacing unit consisting of that portion of the N/2 of said Section 20 excluding the N/2 NW/4 and the SW/4 NW/4.

(4) The operator shall notify the Division of the decision of Meridian Oil, Inc., requesting approval of the non-standard proration unit if said party chooses not to or is unable to amend its overriding royalty interest.

(5) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject units an itemized schedule of estimated well costs.

(6) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working

interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(10) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) \$3,000.00 per month while drilling and \$400.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

Case No. 8640
Order No. R-7998

(15) The applicant, Caulkins Oil Company, is hereby authorized to downhole commingle the Blanco-Mesaverde and Basin-Dakota Pools, downhole commingle the Pictured Cliffs and Chacra formations, and dually complete the respective commingled streams with parallel strings of tubing provided the supervisor of the Division's Aztec District Office is consulted in approving the specific details of such a completion.

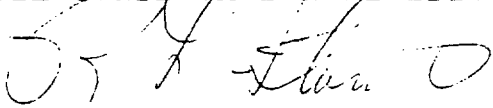
(16) The applicant shall consult the supervisor of said district office to formulate a reasonable allocation of production from each respective producing zone and an assignment of allowable to the well.

(17) The determined production allocation factors for each producing zone shall be delivered to the Division's Santa Fe office for incorporation into the records of this case.

(18) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS
Director

S E A L

fd/

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 W. Perry Pearce, Esq.
 Montgomery Law Firm
 P. O. Box 2307
 Santa Fe, New Mexico 87504

4. Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD	Article Number P 176135268
--	-----------------------------------

Always obtain signature of addressee or agent and **DATE DELIVERED.**

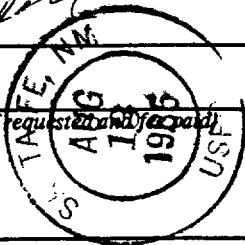
5. Signature - Addressee
 X

6. Signature - Agent
 X *[Signature]*

7. Date of Delivery
 1-13-85

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

DOMESTIC RETURN RECEIPT



Cities Order R-7998

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Meridian Oil, Inc.
 El Paso Natural Gas Company
 P. O. Box 990
 Farmington, New Mexico 87499

4. Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD	Article Number P 176135269
--	-----------------------------------

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X *[Signature]*

6. Signature - Agent
 X

7. Date of Delivery
 1-13-85

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

DOMESTIC RETURN RECEIPT

CLERK CAROL A-17299

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS



PENALTY FOR PRIVATE USE, \$300

SENDER INSTRUCTIONS
Print your name, address, and ZIP Code in the space below.
• Complete items 1, 2, 3, and 4 on the reverse.
• Attach to front of article if space permits, otherwise affix to back of article.
• Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO

Kellahin & Kellahin (WTK)
(Name of Sender)

P. O. BOX 2265

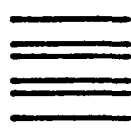
(No. and Street, Apt., Suite, P.O. Box or R.D. No.)

Santa Fe, New Mexico 87501

(City, State, and ZIP Code)

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS



PENALTY FOR PRIVATE USE, \$300

SENDER INSTRUCTIONS
Print your name, address, and ZIP Code in the space below.
• Complete items 1, 2, 3, and 4 on the reverse.
• Attach to front of article if space permits, otherwise affix to back of article.
• Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO

Kellahin & Kellahin (WTK)
(Name of Sender)

P. O. BOX 2265

(No. and Street, Apt., Suite, P.O. Box or R.D. No.)

Santa Fe, New Mexico 87501

(City, State, and ZIP Code)



TONY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

50 YEARS

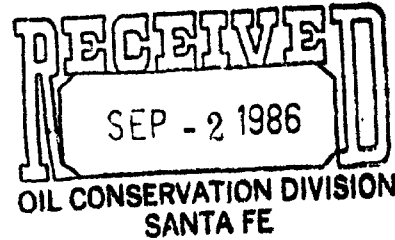


1935 - 1985

January 15, 1986

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

Ms. Karen Aubrey
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico



Re: Case No. 8640
Order No. R-7998

Dear Ms. Aubrey:

Based upon your written request and the authority granted me in Order No. R-7998, Caulkins Oil Company is hereby granted an extension of time to commence the drilling of the well on the unit pooled by said order to the earlier of the following two dates:

- (1) 90 days following dismissal of the de novo application, or
- (2) the date set for commencement in any order approving the application following a de novo hearing.

Sincerely,

R. L. STAMETS
Director

RLS/fd



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

TONEY ANAYA
 GOVERNOR

August 25, 1986

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

Mr. W. Perry Pearce
 Montgomery and Andrews
 P. O. Box 2307
 Santa Fe, New Mexico

Re: CASE NO. 8640
 ORDER NO. R-7998-A

Applicant:

Caulkins Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission 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 Karen Aubrey

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

January 14, 1986

HAND-DELIVERED

RECEIVED

OIL CONSERVATION DIVISION

Mr. Dick Stamets
Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

Re: Caulkins Oil Company
Case No. 8640 De Novo

Dear Mr. Stamets:

As you may recall, the above matter was set for hearing on January 7, 1986 before the Oil Conservation Commission. At the request of El Paso Natural Gas, Caulkins has agreed to continue this matter until such time as the overriding royalty/production payment situation is resolved. It is El Paso's understanding that it will be resolved sometime in May, 1986.

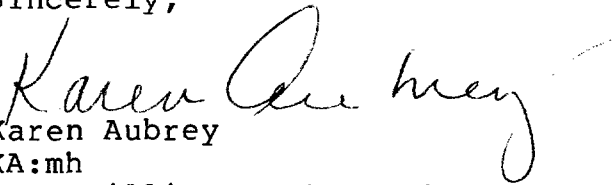
The present Order of the examiner, as amended by your letter of October 4, 1985 allows Caulkins Oil Company until March 1, 1986 or until such earlier or later date as may be set by the Commission following any de novo hearing in this case. Since we are trying to put a resolution of this matter forward in time until such time as we believe the working interest/overriding royalty interest issue will be resolved, we would appreciate it if you would write us a letter extending the time to drill until 90-days after the entry of a Commission Order in this matter and granting us an indefinite continuance until the question of the overriding royalty/production payment has been resolved.

KELLAHIN and KELLAHIN

Mr. Dick Stamets
January 14, 1986
Page -2-

If you need additional information or wish to discuss
this, please call me.

Sincerely,



Karen Aubrey

Karen Aubrey
KA:mh

cc: William F. Carr, Esq.
W. Perry Pearce, Esq.
Mr. Arnold Raether
Mr. Charles Verquer

Memo

From

R. L. STAMETS
Director

To

Talked to Karen

Frubay 9-4-86.

Caulkins has formed.

Karen will send letter
stating all agreed.

I will write
order no longer
effective.

Oil Conservation Division
PO Box 2088, Santa Fe, New Mexico 87504

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

OF COUNSEL
A. K. Montgomery

J. D. Seth (1883-1963)
Frank Andrews (1914-1981)

Seth D. Montgomery
Victor R. Ortega
John E. Conway
Jeffrey R. Brannen
John B. Pound
Gary R. Kilpatrick
Thomas W. Olson
William C. Madison
Walter J. Melendres
Bruce Herr
Michael W. Brennan
Robert P. Worcester
James C. Compton
John B. Draper
Nancy M. Anderson
Allison K. Schuler
Janet McL. McKay
Jean-Nlkole Wells
Mark F. Sheridan
Joseph E. Earnest
Stephen S. Hamilton
W. Perry Pearce
Phyllis A. Dow
Stephen J. Rhoades
Brad V. Coryell

Wesley B. Howard, Jr.
Michael H. Harbour
Robert J. Mroz
Sarah M. Singleton
Charles W. N. Thompson, Jr.
John M. Hickey
Mack E. With
Galen M. Buller
Katherine A. Weeks
Edmund H. Kendrick
Helen C. Sturm
Richard L. Puglisi
Arturo Rodriguez
Joan M. Waters
Terri A. Mazur
Stephen R. Kotz
Christine Gray
James C. Murphy
James R. Jurgens
Ann M. Maloney
Deborah J. Van Vleck
Anne B. Hemenway
Roger L. Prucino
Kay E. Mares

August 28, 1986

SANTA FE OFFICE
325 Paseo de Peralta
Post Office Box 2307
Santa Fe, New Mexico 87504-2307

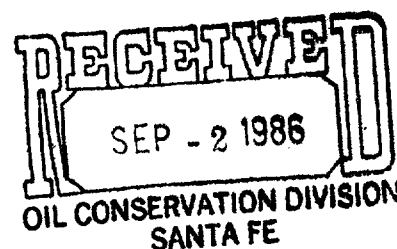
Telephone (505) 982-3873
Telecopy (505) 982-4289

ALBUQUERQUE OFFICE
Suite 500
7 Broadway Place
707 Broadway, N.E.
Post Office Box 26927
Albuquerque, New Mexico 87125-6927

Telephone (505) 242-9677

LOS ALAMOS OFFICE
Suite 120
901 18th Street
Los Alamos, New Mexico 87544

Telephone (505) 662-0005



REPLY TO SANTA FE OFFICE

Richard L. Stamets, Director
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504-2088

Re: Caulkins Oil Company Compulsory Pooling;
OCD Case No. 8640

Dear Dick:

After our telephone discussion of several days ago, I looked at the Caulkins file to see if in fact it would be sufficient to simply let the Commission's present Order No. 7998-A remain in effect.

My clients remain concerned inasmuch as subsequent to the entry of the initial Order in this case, which by the terms of the present Commission Order is now in full force and effect, Caulkins was granted a period of time of ninety (90) days from the date of the final Commission Order in this case to commence drilling the well in question. Inasmuch as my clients agreed to dismiss their de novo application solely on the basis of the representation that Caulkins was dismissing their entire case, I believe it is appropriate to have the Commission Order No. 7998-A either amended or adjusted through nunc pro tunc.

I appreciate your attention to this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. Perry Pearce".

W. Perry Pearce

WPP:dml
cc: Karen Aubrey, Esq.



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONY ANAYA
GOVERNOR

September 15, 1986

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

Ms. Karen Aubrey
Kellahin and Kellahin
El Patio - 117 North Guadalupe
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Dear Ms. Aubrey:

In accordance with your letter of September 9, 1986, and the agreement to dismiss the de novo application in Case No. 8640, Division Order No. R-7998 is hereby set aside and the pooling authorized therein rescinded.

Sincerely,

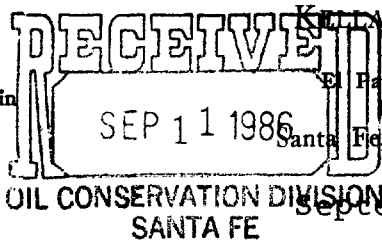
A handwritten signature in cursive script, appearing to read "R. L. Stamets".

R. L. STAMETS
Director

RLS:dp

cc: Perry Pearce
Case 8640✓

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey



KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

September 9, 1986

Mr. Dick Stamets
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

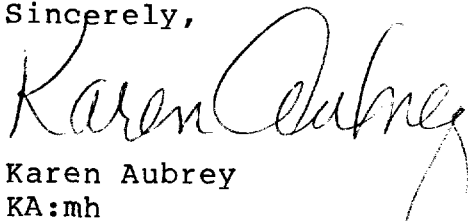
Re: Application of Caulkins Oil Company for
Compulsory Pooling, Rio Arriba County, New
Mexico
Case No. 8640
Order No. R-7998

Dear Mr. Stamets:

At your request, this letter formally requests the dismissal of Case No. 8640, Oil Conservation Division case which resulted in force pooling Order No. R-7998. It is my understanding that my clients are in the process of obtaining a farmout from Union of California who has acquired the majority of the working interests.

As we discussed, this is the case which appeared on the August Commission Docket. At that time a dismissal of the case was requested, but apparently it was not made clear to you that the underlying force pooling case needed to be dismissed also.

Sincerely,



Karen Aubrey

KA:mh

cc: Bill Carr, Esq.
W. Perry Pearce, Esq.