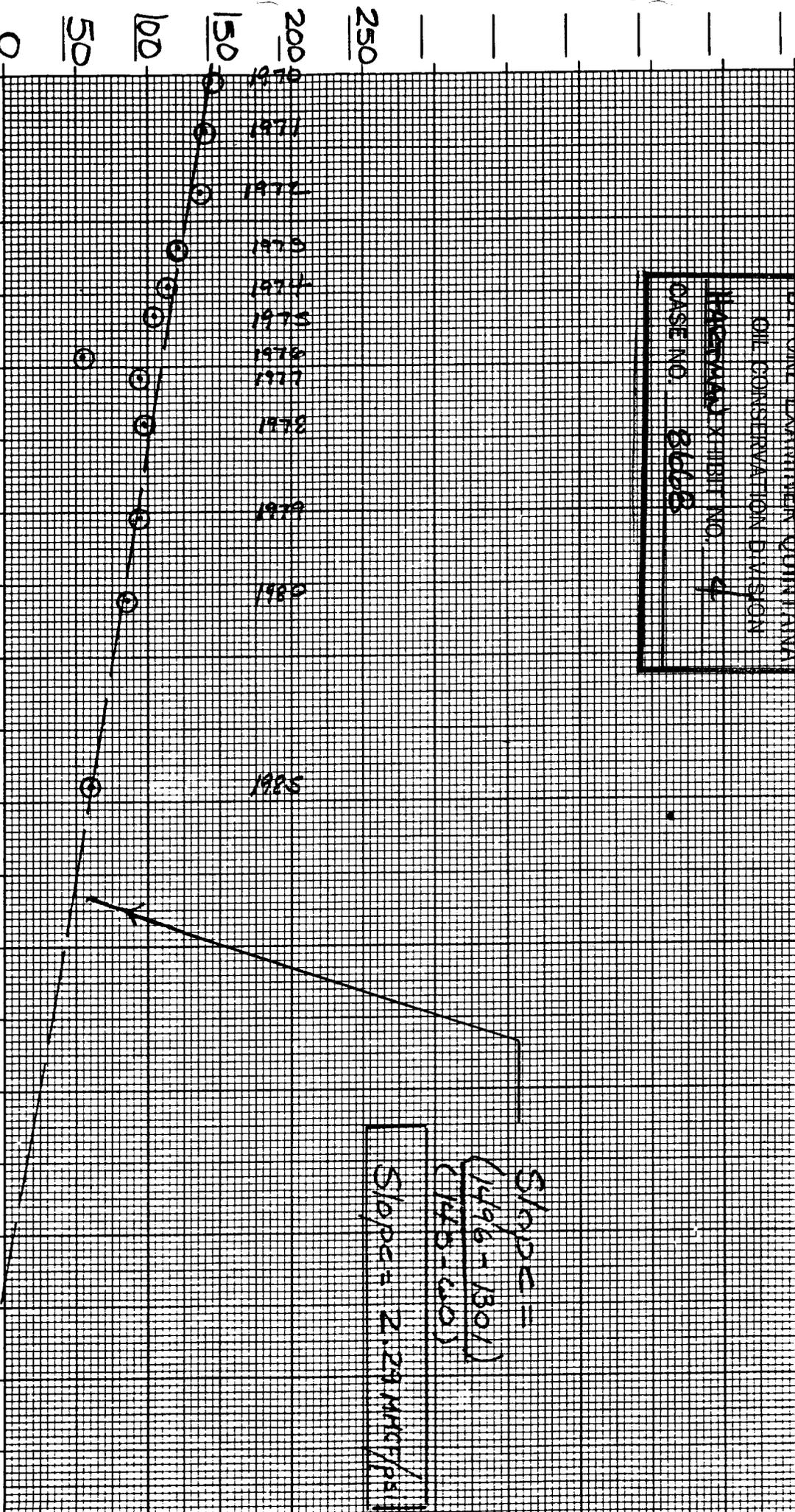


4-30-85 CUM: 1496 MNGF

BEFORE EXAMINER OUNTANA  
 OIL CONSERVATION DIVISION  
~~WARRANT~~ WARRANT NO. 4  
 CASE NO. 8668

Field: Langie Mattix  
 Operator: Doyle Hartman (Sun)  
 Well: Carlson No. 3  
 Location: P-23-25-37 Acres: 40  
 County: Lea State: N.M.  
 Date Prod. Began: Type Plot: P  P/Z



Slope =  $\frac{(1496 - 1301)}{(1496 - 1301)}$   
 Slope = 2.29 MNGF/psia

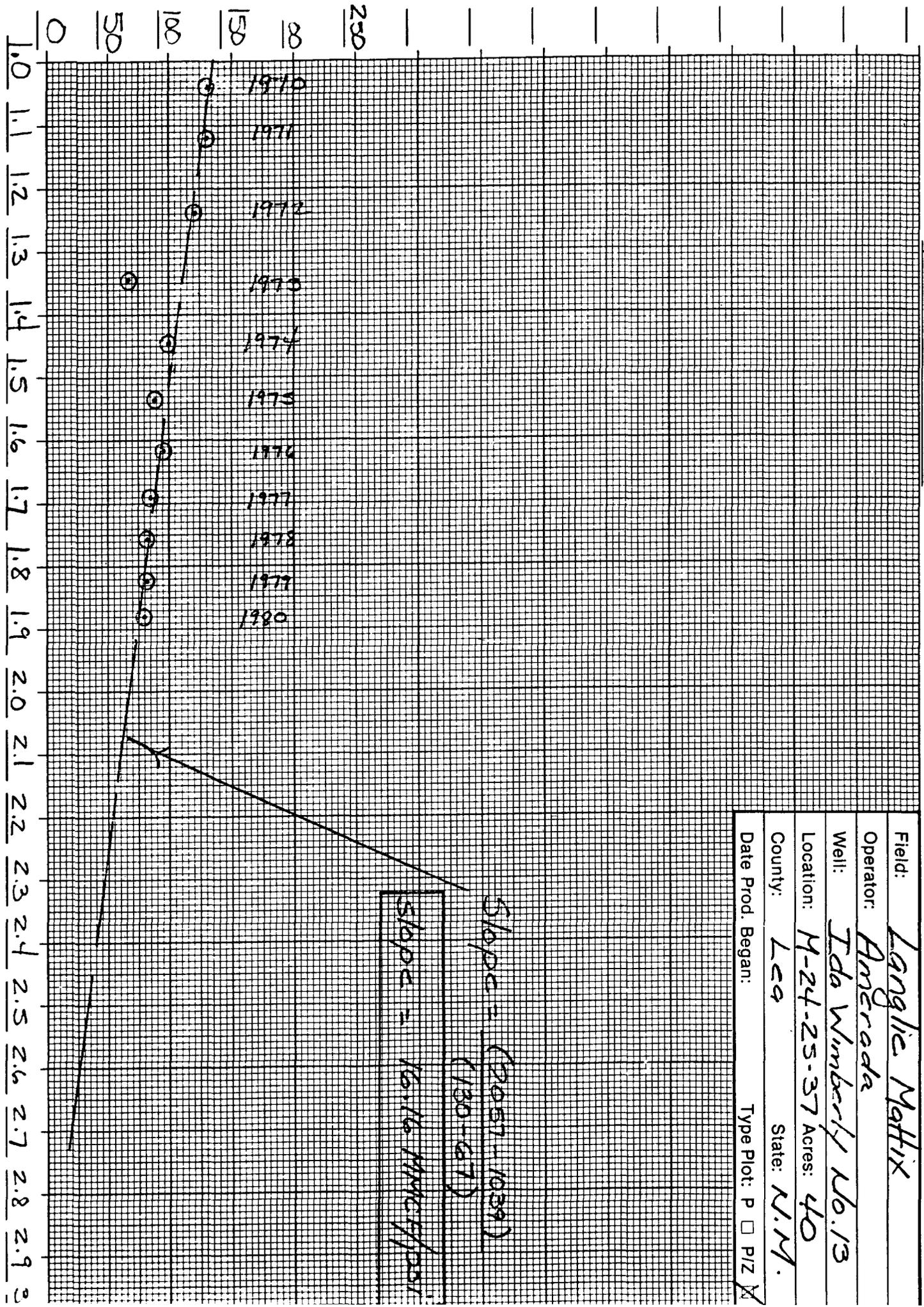
Cumulative Gas Production - (BCF)

Pressure of P1/2 - (psia)

4-30-85 CUM: 2057 MMCF

Field: Langlie Mathix  
 Operator: Amerada  
 Well: Ida Wimbberly 110.13  
 Location: M-24-25-37 Acres: 40  
 County: Lea State: N.M.  
 Date Prod. Began: Type Plot: P  P/Z

Pressure or P/Z - (psia)

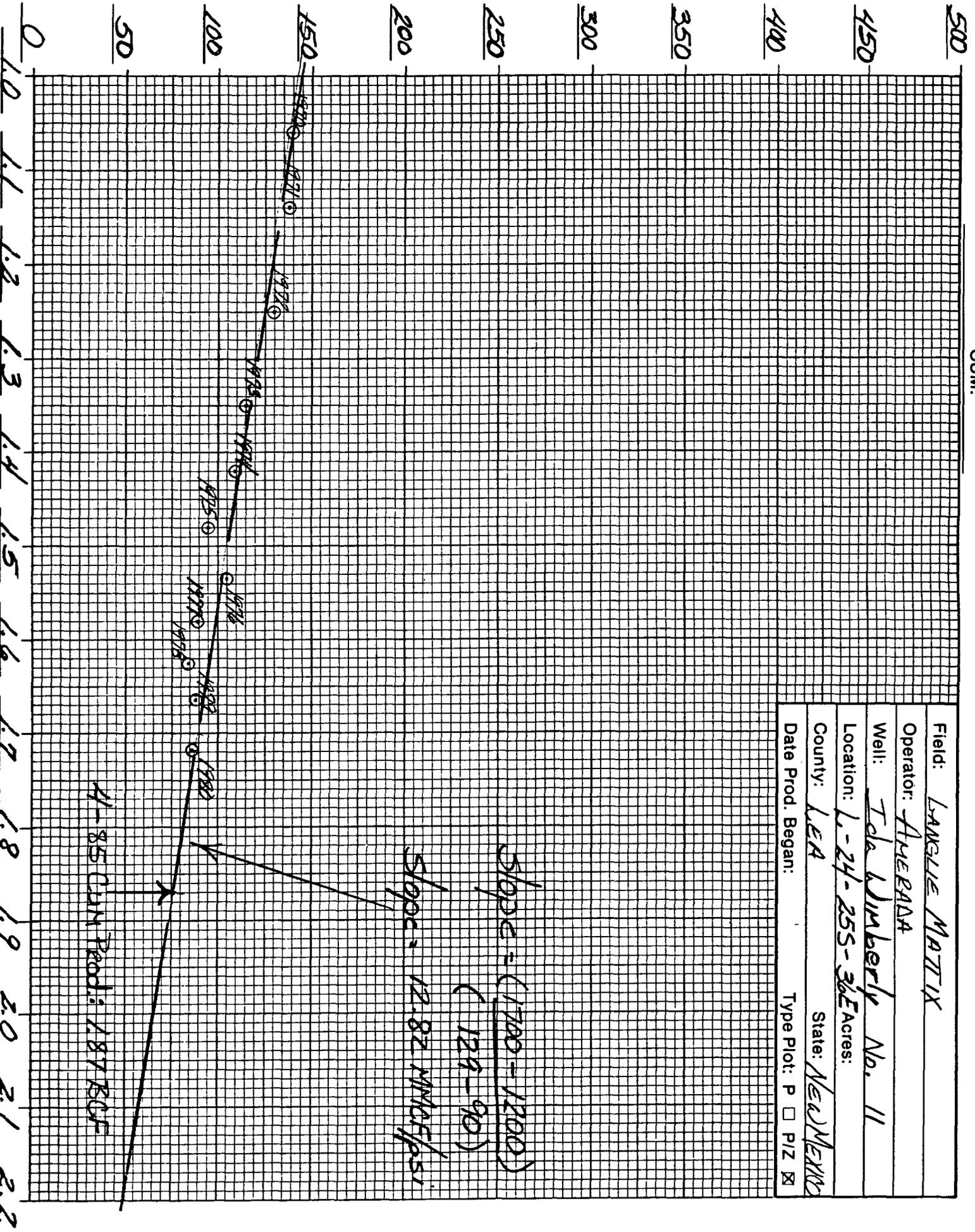


Cumulative Gas Production - (BCF)

CUM:

Field:	LANGUE MOTIX
Operator:	AMERADA
Well:	Tda Kimberly No. 11
Location:	L-24-255-36E Acres:
County:	LEA
State:	NEW MEXICO
Date Prod. Began:	
Type Plot:	P <input type="checkbox"/> P/Z <input checked="" type="checkbox"/>

### Pressure or P/Z - (ps )



$$\text{slope} = \frac{1700 - 1200}{1.29 - 0.90}$$

$$\text{slope} = 12.82 \text{ MMCF/psi}$$

4-85 Cum Prod: 187 BCF

### Cumulative Gas Production - (BCF)

# GAS PRODUCTION HISTORY

Date 12-28-79

Page 1 of 2

Operator: Cities Service Oil Co. (Mobil)  
 Well: Dabbs No.1 (LMQU No. 81)  
 Location: D-23-25-37  
 Pool: Langlie Mattix  
 Spud Date: \_\_\_\_\_ Original Completion Date: \_\_\_\_\_  
 Completion Interval (Gas): \_\_\_\_\_  
 Completion Date (Gas): \_\_\_\_\_ First Production (Gas): \_\_\_\_\_  
 Remarks: Last Production 9-69  
Converted to water injection in Mobil LMQU

BEFORE EXAMINER QUINTANA  
 OIL CONSERVATION DIVISION  
 HAZARD EXHIBIT NO. 5  
 CASE NO. 8668

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/MO.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z
1969	9	10122	1125	6370.1	128.2	130
1968	11	14674	1334	6360.0	N/A	N/A
1967	12	19765	1647	6345.3	125.2	130
1966	12	16720	1393	6325.5	85.2	90
1965	12	12927	1077	6308.8	144.2	150
1964	10	3244	324	6295.9	115.2	120
1963	12	15892	1324	6292.7	135.2	140
1962	12	25167	2097	6276.8	149.0	160
1961	6	4885	814	6251.6	224.2	235
1960	2	3704	1852	6246.7	222.2	235
1959	11	37241	3386	6243.0	274.2	295
1958	12	69225	5769	6205.8	327.0	350
1957	12	82385	6865	6136.5	300.0	317
1956	12	87352	7279	6054.2	N/A	N/A
1955	12	150152	12513	5966.8	N/A	N/A
1954	12	112344	9362	5861.7	377.0	405
1953	12	142661	11888	5749.3	420.0	460
1952	12	175433	14619	5606.6	443.0	480
1951	12	148126	12344	5431.2	459.0	500
1950	12	66894	5575	5364.3	489.0	535

19 68 Detail Summary

Jan. <u>1413</u>	July <u>1393</u>
Feb. <u>1308</u>	Aug. <u>1412</u>
March <u>1370</u>	Sept. <u>1235</u>
April <u>1306</u>	Oct. <u>1298</u>
May <u>1378</u>	Nov. <u>0</u>
June <u>1371</u>	Dec. <u>1190</u>

19 69 Detail Summary

Jan. <u>1178</u>	July <u>1182</u>
Feb. <u>1071</u>	Aug. <u>1075</u>
March <u>1124</u>	Sept. <u>924</u>
April <u>1150</u>	Oct. _____
May <u>1213</u>	Nov. _____
June <u>1205</u>	Dec. _____

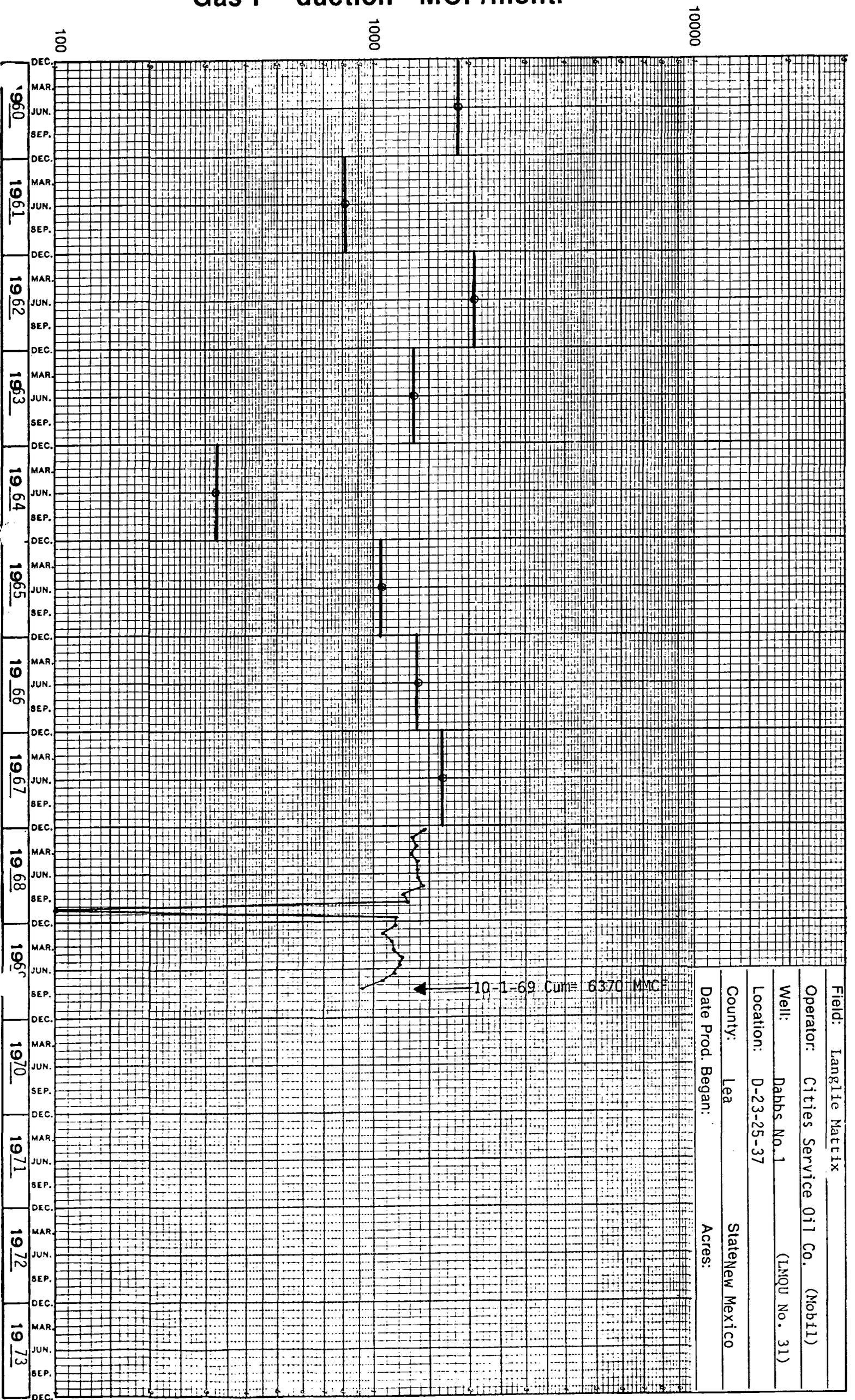
Production (Y-T-D) 10122MCF  
 Days or Months (Y-T-D) 9 Mo.

Avg. Rate (Y-T-D) 1125 MCF/Mo.



# Gas Production - MCF/month

10-1-69 Cum: 6370 MCF

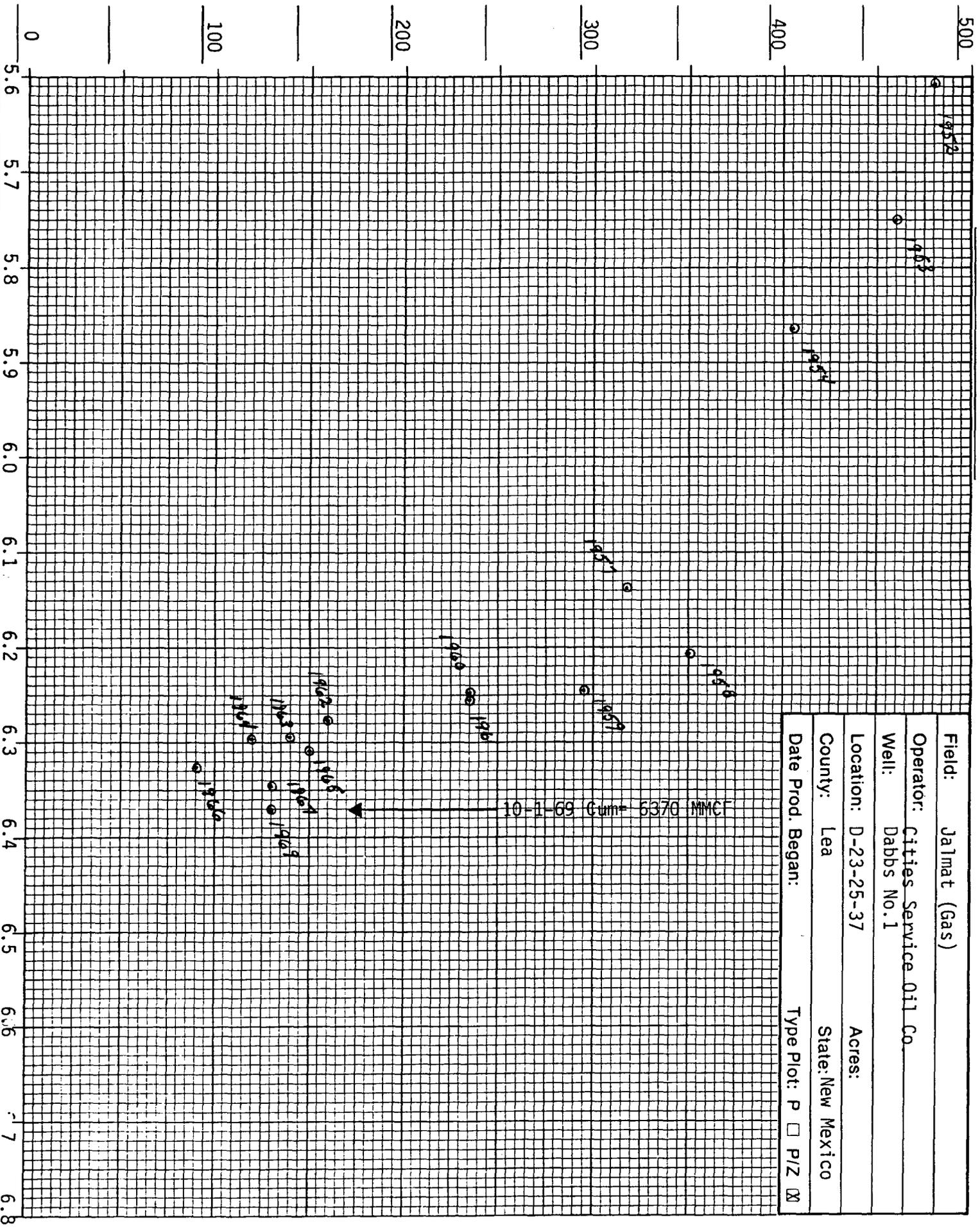


Field: Langlie Mattix  
 Operator: Cities Service Oil Co. (Mobil)  
 Well: Dahbs No. 1 (LMOU No. 31)  
 Location: D-23-25-37  
 County: Lea  
 State: New Mexico  
 Date Prod. Began: \_\_\_\_\_  
 Acres: \_\_\_\_\_

10-1-69 Cum: 6370 MCF

10-1-69 CUM: 6370 MMCF

Field:	Jalmat (Gas)
Operator:	Cities Service Oil Co
Well:	Dabbs No. 1
Location:	D-23-25-37
County:	Lea
State:	New Mexico
Date Prod. Began:	
Type Plot:	P <input type="checkbox"/> P/Z <input checked="" type="checkbox"/>



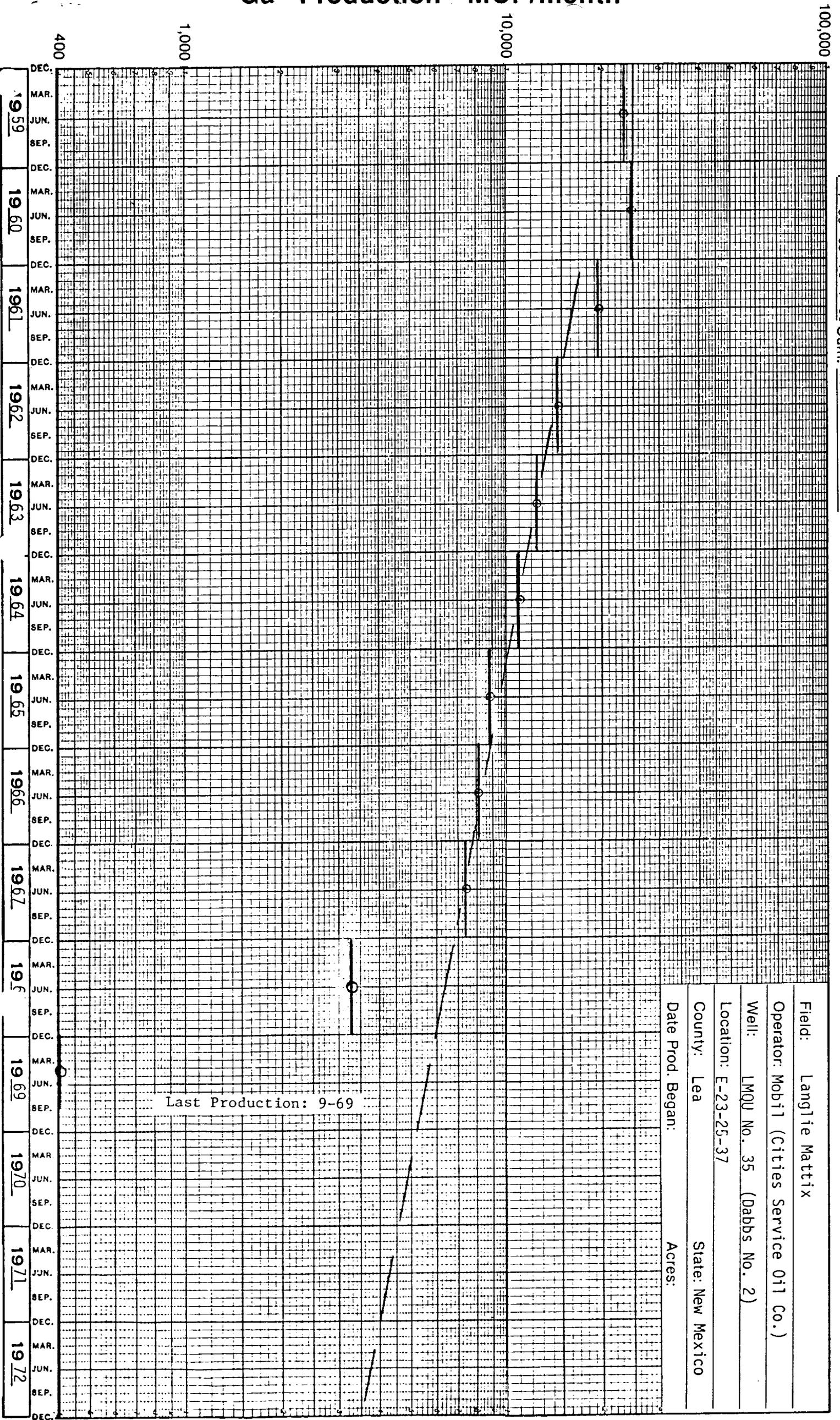
Pressure or P/Z - (psia)

Cumulative Gas Production - (BCE)



# Gas Production - MCF/month

1-1-59 to 10-1-69 Cum: 1613.4 MMCF



Last Production: 9-69

Field: Langlie Mattix  
 Operator: Mobil (Cities Service Oil Co.)  
 Well: LMOU No. 35 (Dabbs No. 2)  
 Location: E-23-25-37  
 County: Lea  
 State: New Mexico  
 Date Prod. Began:  
 Acres:

LEASE NAME CARLSON FEDERAL LOCATION 28-C28 37E EIGHTH 10 # 3022557E23MOOYT FIELD - ALMAH TRISILL Y1 7 RWK5 (FASO GAS) Y1 PRODUCTION UNIT # - 52323  
 WELL 2  
 OPER EL PASO NATURAL GAS CO  
 CUMULATIVE - LIQUID 0/69/12 GASES - LIQUID 611265 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 SELECTION FROM-TO 70-85  
 0 LID GATHERER

PRODUCTION DATA

OR NR WELLS FROM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
70 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS	2264	1303	3153	3110	3162	2016	1020	2419	2643	3198	3093	3005	30396	641651	2532
71 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS	2813	2453	1765	2676	3168	2964	3278	1824	2953	2726	2929	3303	32852	674503	2738
72 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS	2428	2452	1407	3094	3484	3244	3890	3615	3401	3165	3241	2687	36308	710811	3026
73 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS	2872	2701	3510	2933	2424	3726	3246	3318	2978	3762	3376	3548	38404	749215	3200
74 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS	3434	2977	3317	2896	3593	3325	3301	3376	3030	2466	2952	2665	37332	786547	3111
75 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS	2332	1538	3038	2577	2096	2463	2251	3873	2117	2722	2549	2594	29170	815717	2431

LOCATION 230255 STE MIGHTS ID # 30225537E30007 FIELD - JALPAI TANSILL YI 7 KWRS (HSD GAS) YI PROPRATION UNIT # - 52323

LEASE NAME CARLSON FEDERAL  
WELL 2  
OPER EL PASO NATURAL GAS CO  
CUMES DATES - LIQUID 0/69/12 CUMES - LIQUID 0/69/12  
SELECTION FROM-TO 70-85  
GAS 611265 GAS GATHERER EL PASO NATURAL GAS COMPANY

PRODUCTION DATA

YR NR WELLS PRODM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
76 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	271	0	102	98	0	0	70	0	130	0	671	671	134
GAS	1897	3473	3054	2631	1174	2534	1999	688	2531	3073	2747	2539	28340	844057	2362
77 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	132	114	0	122	0	128	0	0	145	65	52	57	815	1486	102
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	2506	2306	2228	1588	2274	2805	2758	2476	3276	2876	3007	2736	30836	874893	2570
78 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	44	54	57	53	50	50	53	141	0	0	25	104	631	2117	63
WATER	0	0	0	0	0	0	0	0	35	32	32	57	156	39	39
GAS	4	2046	0	0	0	0	0	0	2378	2015	2781	3047	12271	887164	2045
79 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	60	8	0	0	0	0	0	0	0	0	0	0	68	2185	34
WATER	62	56	42	60	58	54	62	62	60	62	60	62	720	68	60
GAS	3305	2350	2355	2312	2301	1938	2109	1928	1679	1623	1429	1370	25099	912263	2092
80 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	54	73	62	0	20	42	0	0	0	0	0	0	197	2382	49
GAS	1341	1040	789	574	765	794	754	750	588	169	602	207	8362	920625	697
81 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	1	0	0	0	1	6	0	0	0	0	0	0	1	7	4
GAS	18	9	6	0	0	0	0	0	0	4	0	19	56	920681	11

EASE NAME CARLSON FEDERAL LOCATION 23W23S 37E WIGHTS ID # 3022337E23W007T FIELD - JALANI TANKSILL VT 7 RWAS (PRO GAS) VT PRODRATION UNIT # - 52323  
 WELL 2 OPER EL PASO NATURAL GAS CO CUMES DATES - LIQUID 0/69/12 CUMES - LIQUID GAS 611265 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 SELECTION FROM-TO 70-85

PRODUCTION DATA

RR NR WELLS PRODIN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
32 FLOW L	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	30	20	25	51	38	38	15	11	15	18	21	10	292	920973	24
33 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	31	1	2	30	1	1	4	1	30	2	1	1	105	2449	9
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	23	23	25	20	21	27	65	22	24	33	21	16	320	921293	27
34 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	1	1	13	21	30	30	0	1	2	22	6	18	145	2449	13
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	21	20	38	29	319	0	0	20	18	20	9	18	512	921805	51
35 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	1	24	31	0	0	0	0	0	0	0	0	0	56	2449	19
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	17	237	20	0	0	0	0	0	0	0	0	0	274	922079	91

LEASE NAME CARLSON FEDERAL

LOCATION 234255 STE

WIGHTS ID # 302255STEZK0007

FIELD - JALMAT TANSILL YR 7 RUNS (FRD B

WELL 2  
OPER EL PASO NATURAL GAS CO

DATE DATES - LIQUID 0/69/12  
GAS 0/69/12

0 LTD GATHER  
611265 GAS GATHER

SELECTION  
FROM-TO  
70-85

TEST DATA

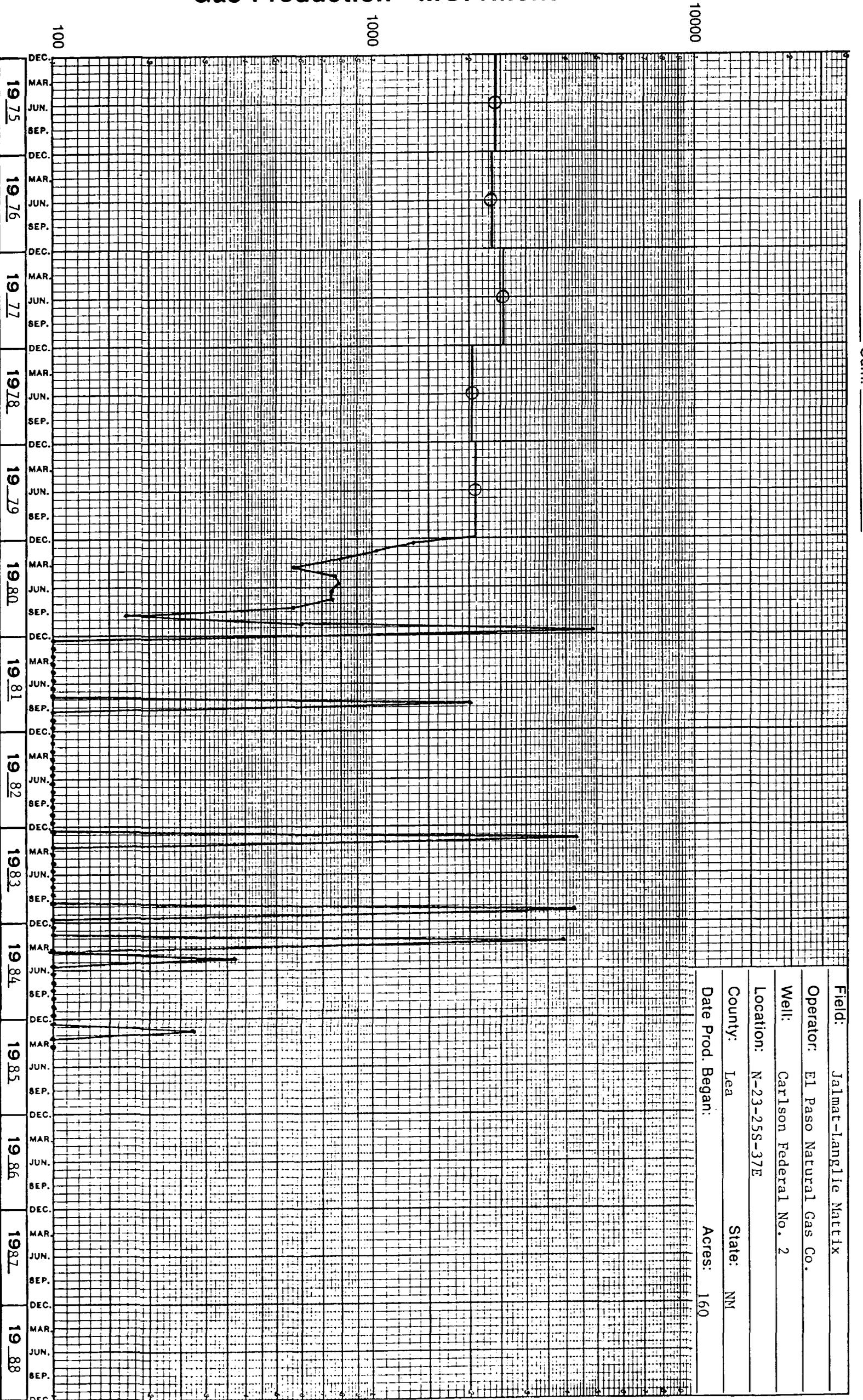
TEST DATE	WELLHEAD S/T PRESS	ROT HOLE PRESSURE	Z-FACTOR	P/Z	TEST DATE GAS DWE
70/06/29	851	907	.868	1045	626,206
71/08/05	793	845	.876	965	661,062
72/06/26	805	857	.874	981	690,380
73/05/08	788	839	.877	957	723,453
74/04/30	774	824	.879	937	758,943
75/04/29	795	847	.876	967	795,966
76/04/20	795	847	.876	967	825,895
77/05/17	357	378	.941	402	653,932
79/06/20	472	501	.924	542	901,479
80/04/01	421	447	.932	480	915,461
81/03/24	393	417	.936	446	920,657
82/04/13	384	407	.937	434	920,778
83/03/15	394	418	.936	447	921,031

LEASE NAME CARLSON FEDERAL LOCATION 23M2S 37E DWIGHTS ID # 3022S37E23M00SR FIELD - LANGLIE MATIIX 7 RWKS 0 GRAVYBURG SR PROPRATION UNIT # - 9  
 WELL 2 OPER EL PASO NATURAL GAS CO CUMES DATES - LIQUID 0/00/00 CUMES - LIQUID 0 LIO GATHERER EL PASO NATURAL GAS COMPANY  
 SELECTION FROM-10 GAS 0/00/00 GAS 0 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 70-85

PRODUCTION DATA

YR NR WELLS PRODN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
80 FLOW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
81 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3	2	1	0	0	0	0	0	2012	1	4	3	2026	6678	289
82 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	5	3	4	9	6	6	2	2	2	3	3	2	47	6725	4
83 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	31	28	31	30	31	30	31	31	30	31	30	31	335	28	28
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	5	4341	4	4	4	4	11	4	4	5	4256	6	8647	15372	721
84 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	1	1	1	4	30	0	0	1	30	31	1	31	158	14	14
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3	3	3870	5	52	0	0	3	3	3	2	3	3947	19319	39
85 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	31	28	31	30	0	0	0	0	0	0	0	0	120	0	3
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3	38	3	3	0	0	0	0	0	0	0	0	47	19366	11

# Gas Production - MCF/month



Cum: \_\_\_\_\_

**Field:** Jalmat-Jangle Nattix  
**Operator:** El Paso Natural Gas Co.  
**Well:** Carlson Federal No. 2  
**Location:** N-23-25S-37E  
**County:** Lea      **State:** NM  
**Date Prod. Began:**      **Acres:** 160



LEASE NAME CARLSON  
WELL 3  
OPER HARTMAN DOYLE  
SELECTION FROM-TO 70-85

LOCATION 287255 37E IMIGHTS II # 30225537E23P00SR  
COMPLETION DATE 0/00/00  
CURVE DATES - LIQUID 0/69/12  
CURVES - LIQUID 0/69/12  
GAS 0/69/12

FIELD - LAMBLE MATIIX 7 R/KS 0 GRAYBURG SR PRODUCTION UNIT # - 17920  
0 LIQ GATHERER  
1285294 GAS GATHERER EL PASO NATURAL GAS COMPANY

PRODUCTION DATA

WELL	WELL TYPE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	1TD	AVG
76 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0			
	WATER	0	0	0	0	0	0	0	0	0	0	0	0			
	GAS	959	939	965	1099	933	890	763	928	962	988	806	647	10879	1376754	907
77 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0			
	WATER	0	0	0	0	0	0	0	0	0	0	0	0			
	GAS	477	484	565	452	717	584	653	621	275	338	506	670	6342	1383096	529
78 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0			
	WATER	0	0	0	0	0	0	0	0	0	0	0	0			
	GAS	652	579	660	771	744	632	401	207	86	147	970	6620	12471	1395567	1039
79 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0			
	WATER	0	0	0	0	0	0	0	0	0	0	0	0			
	GAS	2231	2200	2324	1560	1884	2342	2855	2117	2042	2024	1610	1788	24977	1420544	2081
80 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0			
	WATER	0	0	0	0	0	0	0	0	0	0	0	0			
	GAS	2172	2144	2190	2376	2715	1990	1776	1636	1597	1788	1498	1366	23198	1443742	1933
81 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0			
	WATER	0	0	0	0	0	0	0	0	0	0	0	0			
	GAS	1166	772	989	1266	1332	1320	1201	1157	1186	1117	1195	1238	13909	1457651	1159

53.2 55

93.2 95

96.2 98

92.2 95

85.2 86

LEASE NAME CARLSON  
WELL 3  
OPER HARTMAN DOYLE  
SELECTION FROM-TO 70-85

LOCATION 2W25S 37E  
COMPLETION DATE 0/00/00  
CUM DATES - LIQUID GAS 0/69/12  
CUMES - LIQUID GAS 1285294  
FIELD - LAMBLE MATIIX 7 WARS 0 GARTMAN SR  
PRODUCTION UNIT # - 17950  
0 LIG GATHERER  
1285294 GAS GATHERER EL PASO NATURAL GAS COMPANY

PRODUCTION DATA

YR NR WELLS PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
82 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	1321	1139	1214	1092	1226	1241	1269	1102	1074	20	297	904	11899	1469550	992
83 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	7	1	2	30	31	30	31	31	30	31	30	31	285	0	24
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	364	53	88	187	77	448	1282	1137	982	1398	1402	1513	8931	1478481	744
84 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	31	29	31	30	31	31	31	31	30	31	30	31	336	0	31
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	1297	1279	1057	904	1304	1228	986	1097	1097	1092	1020	1000	13361	1491842	1113
85 FLOW	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	31	28	31	26	0	0	0	0	0	0	0	0	116	0	29
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	927	960	1300	1014	0	0	0	0	0	0	0	0	4201	1496043	1050

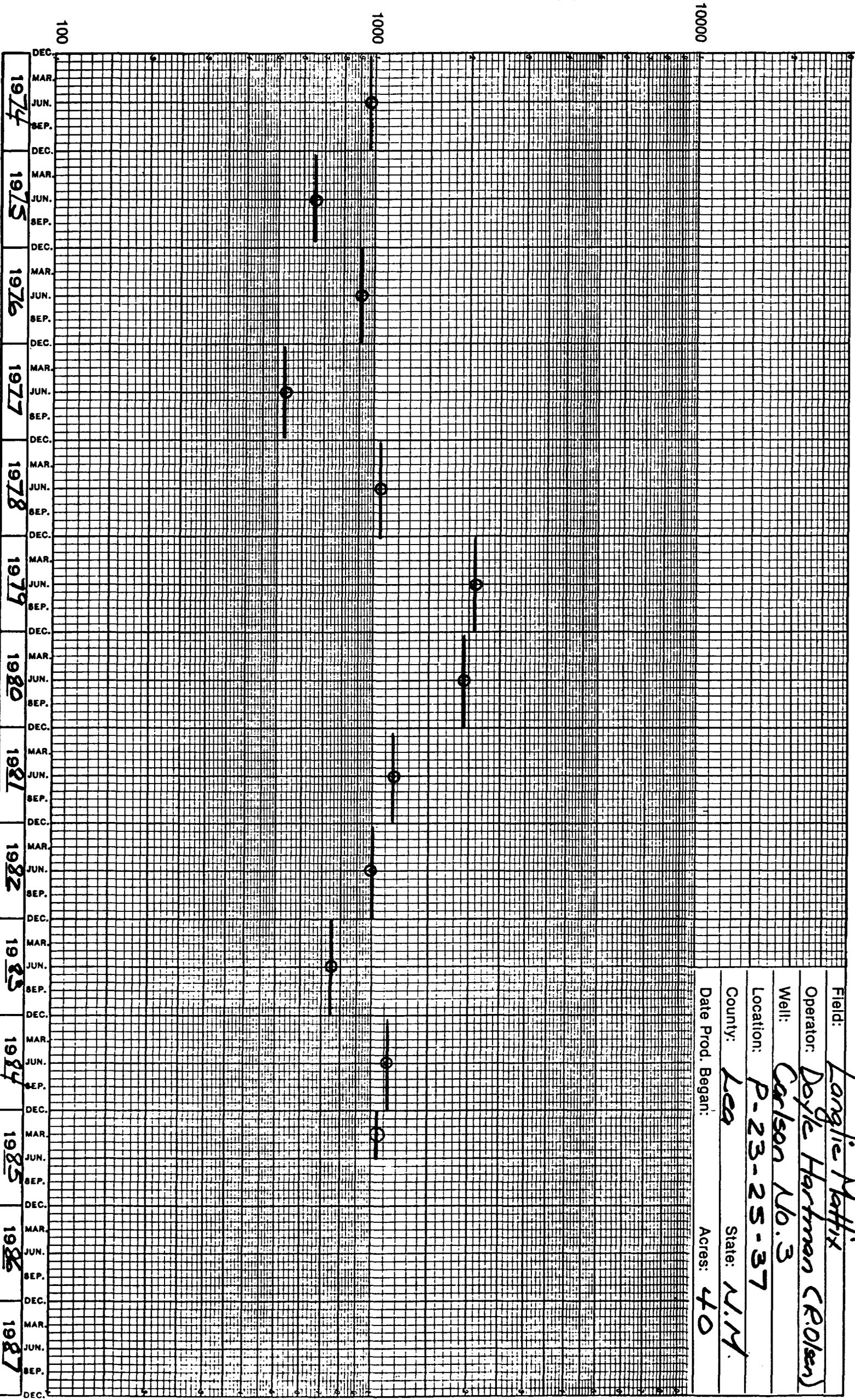
63.2





# Gas Production - MCF/month

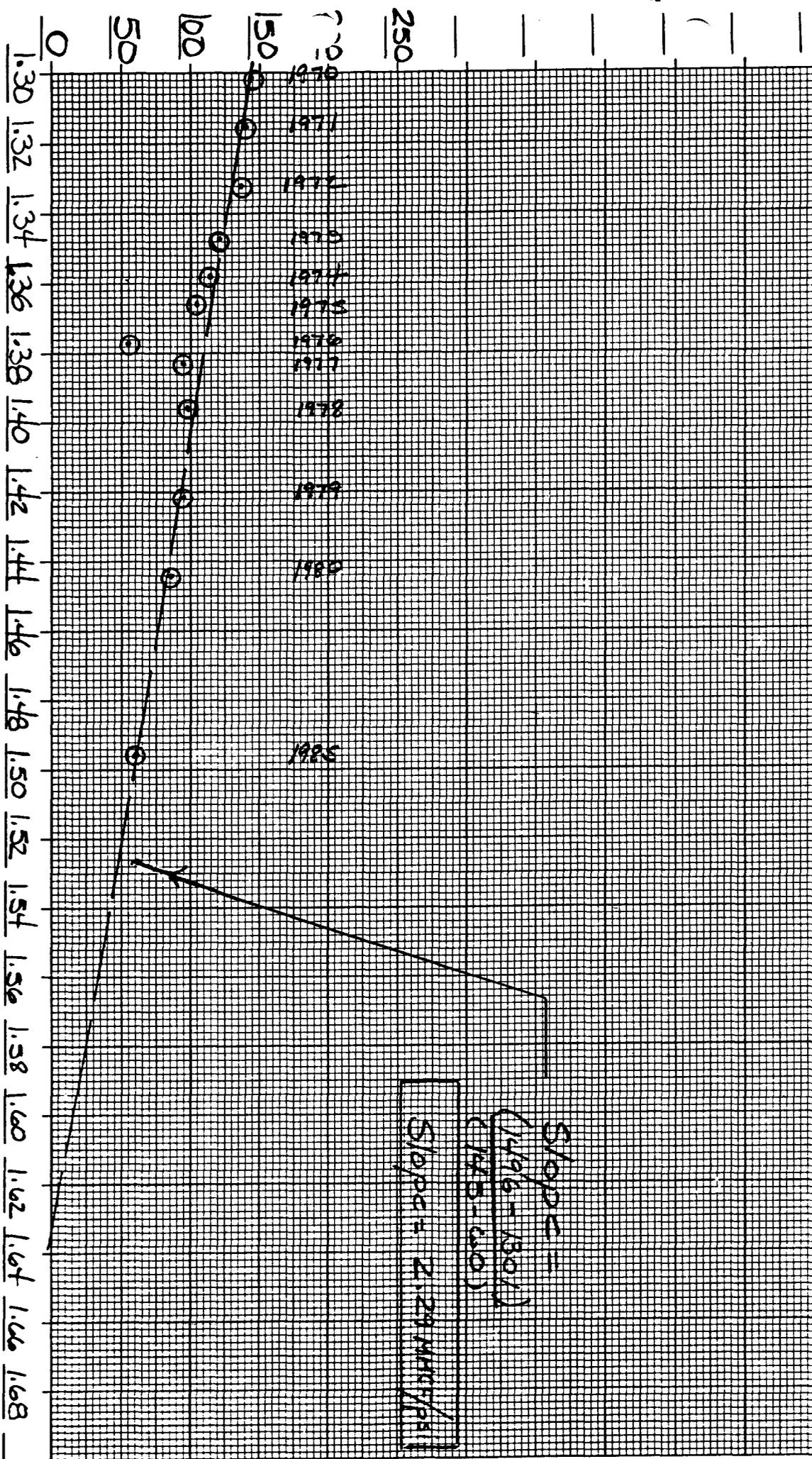
4-30-85 Cum: 1496 MCF



Field: *Langlie Hartix*  
 Operator: *Doyle Hartman (R.Olen)*  
 Well: *Carlson No. 3*  
 Location: *P-23-25-37*  
 County: *Lea* State: *N.M.*  
 Date Prod. Began: \_\_\_\_\_ Acres: *40*

4:30-85 CUM: 1496 MMCF

Field:	Langlic Mattix
Operator:	Doyle Hartman (Sun)
Well:	Carlson No. 3
Location:	P.23-25-37 Acres: 40
County:	Lea State: N.M.
Date Prod. Began:	Type Plot: P <input type="checkbox"/> P/Z <input checked="" type="checkbox"/>



Slope =  
 $\frac{(1496 - 1307)}{(1985 - 1970)}$   
 Slope = 2.29 MMCF/psia

Cumulative Gas Production - (BCF)



LEASE NAME IMA UMBERLEY LOCATION 244235 JTE DWIGHTS ID # 30223537244005K FIELD - LAMARIE MATIIX 7 KWVS 0 GRAYBURG SR PRODUCTION UNIT # - 16675  
 WELL I3 OPER AMERXIA HESS CORP COMPLETION DATE 0/00/00 CURVE DATES - LIQUID 0/69/12 CURVES - LIQUID 0 LID GATHERER 944320 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 SELECTION FROM-TO 70-85

PRODUCTION DATA

YR	HR	WELLS	PRODIN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG	
76 FLOW				1	1	1	1	1	1	1	1	1	1	1	1				
LIFT				0	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0	0			0
OIL				0	0	0	0	0	0	0	0	0	0	0	0	0			0
WATER				0	0	0	0	0	0	0	0	0	0	0	0	0			0
GAS				6641	5999	6861	6199	6818	6771	6866	6673	7517	5869	6700	6931	79795	1614448	6650	
77 FLOW				1	1	1	1	1	1	1	1	1	1	1	1				
LIFT				0	0	0	0	0	0	0	0	0	0	0	0				
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			0	
OIL				0	0	0	0	0	0	0	0	0	0	0	0			0	
WATER				0	0	0	0	0	0	0	0	0	0	0	0			0	
GAS				5839	6613	6895	6189	6258	6272	6339	5804	5908	6854	6214	6348	75233	1689681	6269	
78 FLOW				1	1	1	1	1	1	1	1	1	1	1	1				
LIFT				0	0	0	0	0	0	0	0	0	0	0	0				
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			0	
OIL				0	0	0	0	0	0	0	0	0	0	0	0			0	
WATER				0	0	0	0	0	0	0	0	0	0	0	0			0	
GAS				5961	5336	6007	5307	5644	6361	5170	3891	5459	6387	5521	5709	66753	1756434	5563	
79 FLOW				1	1	1	1	1	1	1	1	1	1	1	1				
LIFT				0	0	0	0	0	0	0	0	0	0	0	0				
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			0	
OIL				0	0	0	0	0	0	0	0	0	0	0	0			0	
WATER				0	0	0	0	0	0	0	0	0	0	0	0			0	
GAS				4732	5057	5790	6104	5853	4759	6626	5293	4698	5519	5384	5781	65596	1822030	5466	
80 FLOW				1	1	1	1	1	1	1	1	1	1	1	1				
LIFT				0	0	0	0	0	0	0	0	0	0	0	0				
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			0	
OIL				0	0	0	0	0	0	0	0	0	0	0	0			0	
WATER				0	0	0	0	0	0	0	0	0	0	0	0			0	
GAS				5880	5248	5219	3784	5422	4578	4046	4043	3848	5018	4940	4951	58977	1879007	4748	
81 FLOW				1	1	1	1	1	1	1	1	1	1	1	1				
LIFT				0	0	0	0	0	0	0	0	0	0	0	0				
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			0	
OIL				0	0	0	0	0	0	0	0	0	0	0	0			0	
WATER				0	0	0	0	0	0	0	0	0	0	0	0			0	
GAS				5043	3847	5107	5403	5147	4642	4272	0	4888	3987	5047	5026	52409	1931416	4764	

PSIA P/Z

93 95

83 85

81 83

81 83

77.2 79

LEASE NAME IDA WIMBERLEY LOCATION 24MCS STE  
 WELL 13 OPER AMERADA HESS CORP COMPLETION DATE 0/00/00  
 SELECTION FROM-10 70-85  
 DWIGHTS ID # 3022537E24M008R FIELD - LABELLE MATIX 7 RMS 0 GRAYBURG SR PRODUCTION UNIT # - 16475  
 CUMES DATES - LIQUID GAS 0/69/12 CUMES - LIQUID GAS 944320 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 0 LIQ GATHERER

PRODUCTION DATA

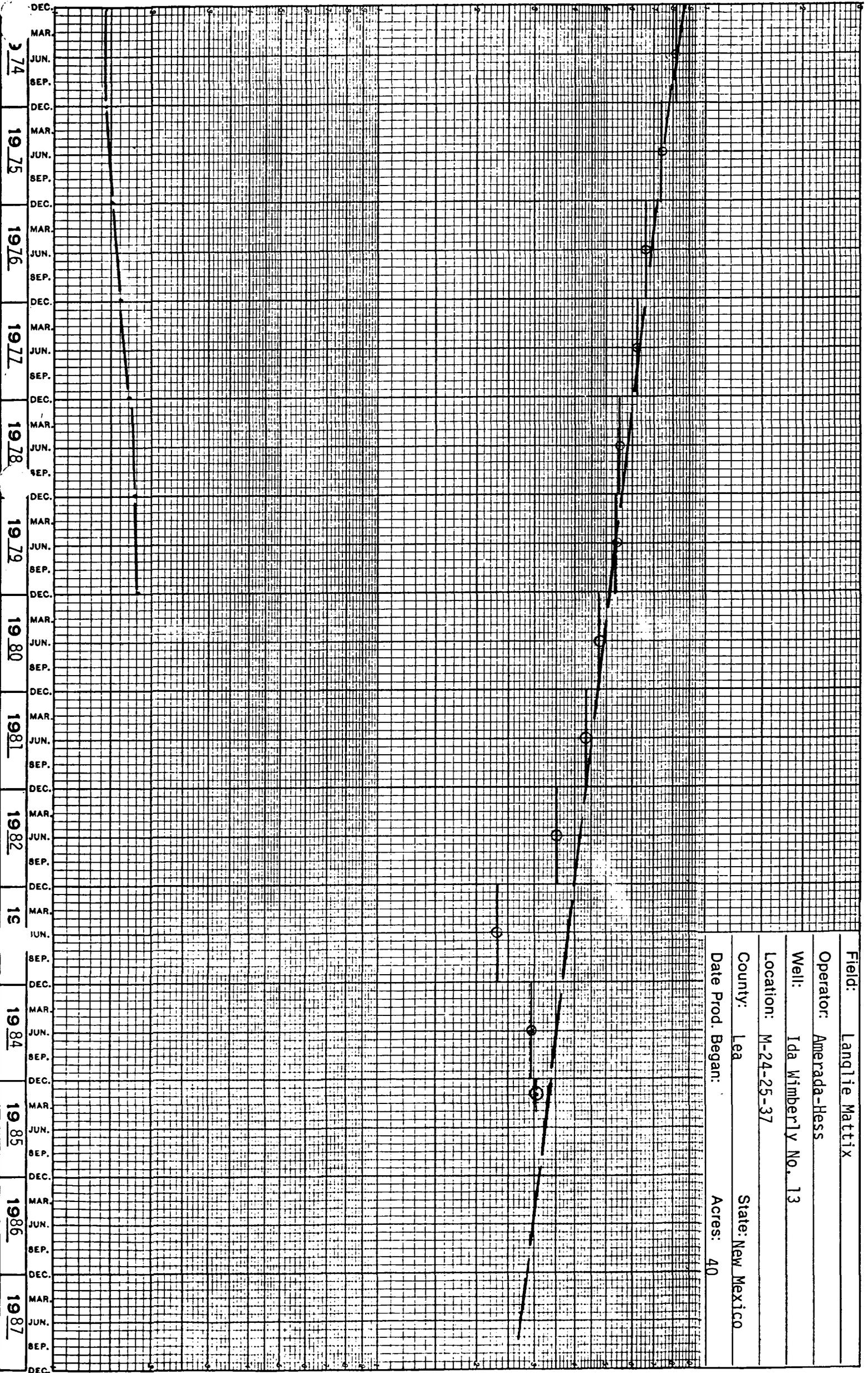
YR NR WELLS PRDWN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	1TD	AVG
82 FLOW	1	1	1	1	1	1	1	1	1	0	1	1	0	0	0
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	5028	4303	4753	4047	4290	4713	4930	4367	1904	0	1400	2427	42342	1973778	3851
83 FLOW	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LIFT	0	0	1	1	0	0	1	1	1	1	1	1	0	0	0
DAYS	10	0	0	3	0	0	31	31	30	31	30	31	197	0	25
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	1393	0	512	873	0	0	606	4438	5846	5228	4408	4556	27840	2001638	3096
84 FLOW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LIFT	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0
DAYS	31	29	31	30	31	30	31	31	30	31	30	30	365	0	30
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3961	3833	2988	2557	3827	3799	3004	3684	3649	3619	3319	3200	41440	2043078	3453
85 FLOW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LIFT	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0
DAYS	31	28	31	30	0	0	0	0	0	0	0	0	120	0	30
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	2853	3238	4322	3732	0	0	0	0	0	0	0	0	14145	2057223	3536

# Gas Production - MCF/month

10000

1000

100

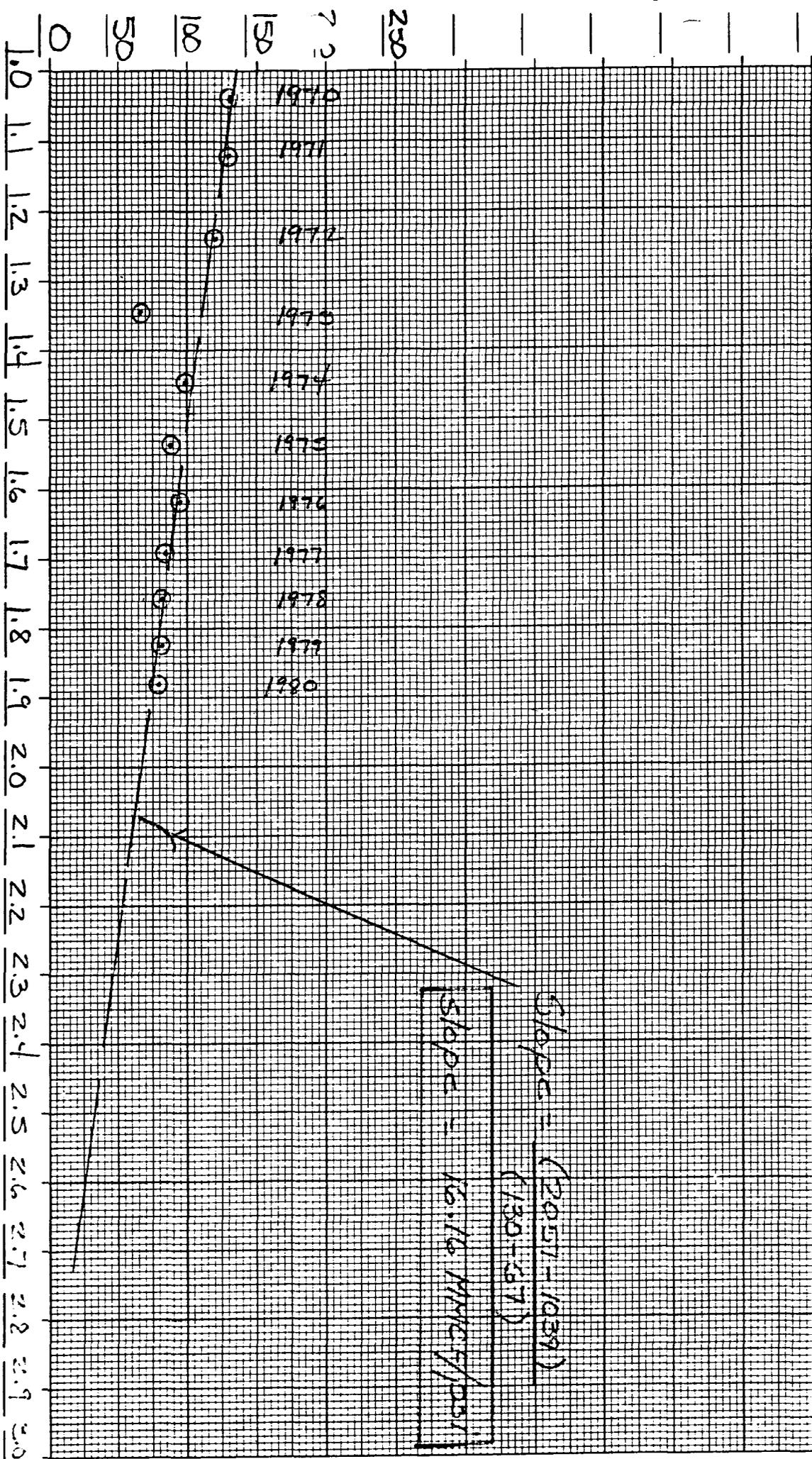


Cum:

Field: Lanlie Mattix	
Operator: Amerada-Hess	
Well: Ida Wimberly No. 13	
Location: M-24-25-37	
County: Lea	State: New Mexico
Date Prod Began:	Acres: 40

4-30-85 CUM: 2057 MCF

Field:	Langlic Mattix
Operator:	Amerada
Well:	Ida Windsor/ No. 13
Location:	H-24-25-37 Acres: 40
County:	Lea State: N.M.
Date Prod. Began:	Type Plot: P <input type="checkbox"/> P/Z <input checked="" type="checkbox"/>



$$\text{Slope} = \frac{(2057 - 1039)}{(130 - 87)}$$

$$\text{Slope} = 16.16 \text{ MCF/yr}$$

Cumulative Gas Production - (BCF)

YR	NR	WELLS	PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AMS
----	----	-------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

70 FLOW				1	1	1	1	1	1	1	1	1	1	1	1			
LIFT				0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			
OIL				0	0	0	0	0	0	0	0	0	0	0	0			
WATER				0	0	0	0	0	0	0	0	0	0	0	0			
GAS				0	0	0	0	0	0	0	0	0	0	0	0			
				10816	10454	9165	9157	8901	8251	9038	8453	8768	7656	7382	7398	106639	1060350	8803

71 FLOW				1	1	1	1	1	1	1	1	1	1	1	1			
LIFT				0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			
OIL				0	0	0	0	0	0	0	0	0	0	0	0			
WATER				0	0	0	0	0	0	0	0	0	0	0	0			
GAS				0	0	0	0	0	0	0	0	0	0	0	0			
				7843	6894	6235	7065	8938	8075	6667	6487	5703	6324	5772	6621	82624	1142974	6885

72 FLOW				1	1	1	1	1	1	1	1	1	1	1	1			
LIFT				0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			
OIL				0	0	0	0	0	0	0	0	0	0	0	0			
WATER				0	0	0	0	0	0	0	0	0	0	0	0			
GAS				0	0	0	0	0	0	0	0	0	0	0	0			
				8477	7167	8292	10753	10506	8917	10453	9509	9490	10081	8973	9213	111711	1254485	9209

73 FLOW				1	1	1	1	1	1	1	1	1	1	1	1			
LIFT				0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			
OIL				0	0	0	0	0	0	0	0	0	0	0	0			
WATER				0	0	0	0	0	0	0	0	0	0	0	0			
GAS				0	0	0	0	0	0	0	0	0	0	0	0			
				8876	8522	9281	8219	8524	8562	8351	8489	8103	8128	6555	7920	99540	1354225	8295

74 FLOW				1	1	1	1	1	1	1	1	1	1	1	1			
LIFT				0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			
OIL				0	0	0	0	0	0	0	0	0	0	0	0			
WATER				0	0	0	0	0	0	0	0	0	0	0	0			
GAS				0	0	0	0	0	0	0	0	0	0	0	0			
				7847	6678	6044	4787	6132	5225	5719	5348	5363	5367	5221	5147	68888	1423113	5741

75 FLOW				1	1	1	1	1	1	1	1	1	1	1	1			
LIFT				0	0	0	0	0	0	0	0	0	0	0	0			
DAYS				0	0	0	0	0	0	0	0	0	0	0	0			
OIL				0	0	0	0	0	0	0	0	0	0	0	0			
WATER				0	0	0	0	0	0	0	0	0	0	0	0			
GAS				0	0	0	0	0	0	0	0	0	0	0	0			
				5334	4832	4920	4724	5564	5081	4424	5153	4960	5043	4167	5069	59271	1482384	4939

137.2  
 133.2  
 125.2  
 111.2  
 106.2  
 93.2  
 140  
 138  
 120  
 115  
 109  
 95  
 75/4 P/E

LEASE NAME IDA WINBERLEY  
 WELL 11  
 OPER AMERBAVA HESS CORP  
 LOCATION 242285 STE  
 DOWLE ID # 302285STE24008R  
 FIELD - LAMBLE MATIX 7 RIMS @ GRANBURG SR  
 PRODUCTION UNIT # - 14475  
 CUM DATE - LIQUID 0/69/12  
 CUMS - LIQUID GAS 0/69/12  
 CUMS - LIQUID GAS  
 0 LIG GATHERER  
 924711 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 PRODUCTION DATA

YR NR WELLS PRODM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
76 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	5017	4094	4388	4295	4668	4529	4461	4702	4521	3908	4349	4292	53124	1535508	4427
77 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3811	3835	3943	4119	4100	3709	3980	3611	3538	4056	3921	4034	44667	1382175	3889
78 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3924	3480	3801	3813	4110	3868	3368	2954	3652	3949	3886	3734	44339	1628714	3712
79 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3118	3084	3384	3783	3963	3480	4134	3256	3209	3497	3324	2933	41165	1667879	3430
80 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3547	3301	3086	2929	3408	3233	13205	3419	3252	3767	3693	3763	50603	1718482	4217
81 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3691	3006	3275	3965	3828	3451	3214	0	3309	3019	3564	3802	38124	1756606	3466

PSUA P/E

102.2 105

87.2 88

83.2 84

86.2 87

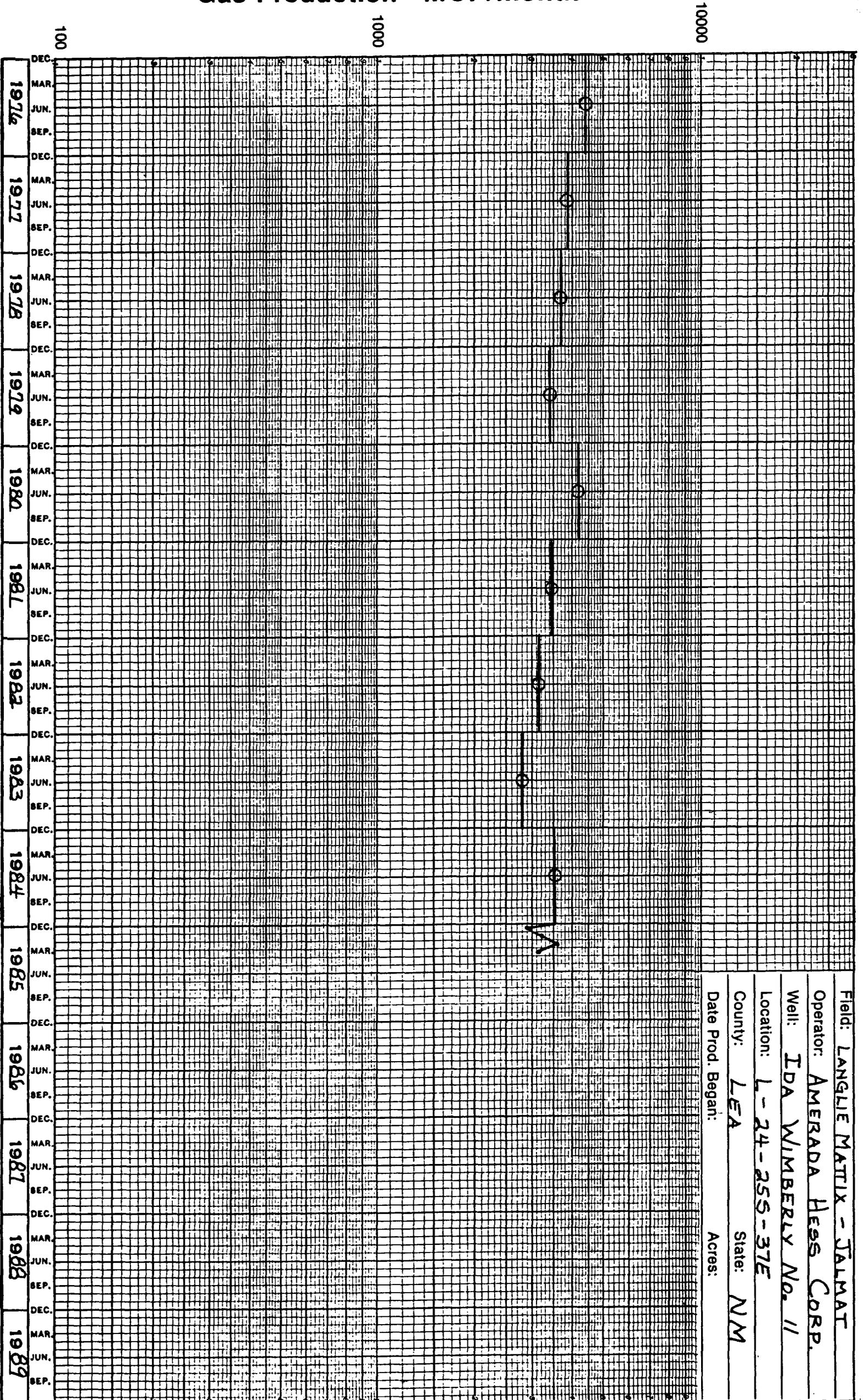
55.2 86

LEASE NAME IDA WINGEBLEY  
 WELL 11  
 OPER AVENUDA HESS CORP  
 LOCATION 24.256 STE  
 DWIGHTS ID # 30225STE24.00SR  
 FIELD - LANGLE PATIIX 7 RWS 0 GRAYBURG SR  
 PROMOTION UNIT # - 14  
 SELECTION FROM-70 TO-85  
 CUM DATE - LIQUID 0/8/72 CUMES - LIQUID 0  
 GAS 0/8/72 GAS 954711 GAS GATHERER EL PASO NATURAL GAS COMPANY  
 0 LID GATHERER

PRODUCTION DATA

YR NR WELLS PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	TTD	AWG
82 FLOW															
LIFT															
DAYS	1	1	1	1	1	1	1	1	1	0	1	1	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3746	3430	3616	3092	3839	3944	4219	3838	1590	0	1291	2301	34806	1791412	3164
83 FLOW															
LIFT															
DAYS	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	1	1	0	0	1	1	1	1	1	1	166	0	24
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	188	0	641	604	0	0	478	4039	5656	5309	4356	4077	25348	1816760	2816
84 FLOW															
LIFT															
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	1	1	1	1	1	1	1	1	1	1	1	1	358	0	30
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	4106	3901	3221	3163	3743	3576	3391	3801	3533	3466	3301	3164	42368	1859128	3531
85 FLOW															
LIFT															
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	1	1	1	1	0	0	0	0	0	0	0	0	120	0	30
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	2926	3232	3575	3154	0	0	0	0	0	0	0	0	12887	1872015	3222

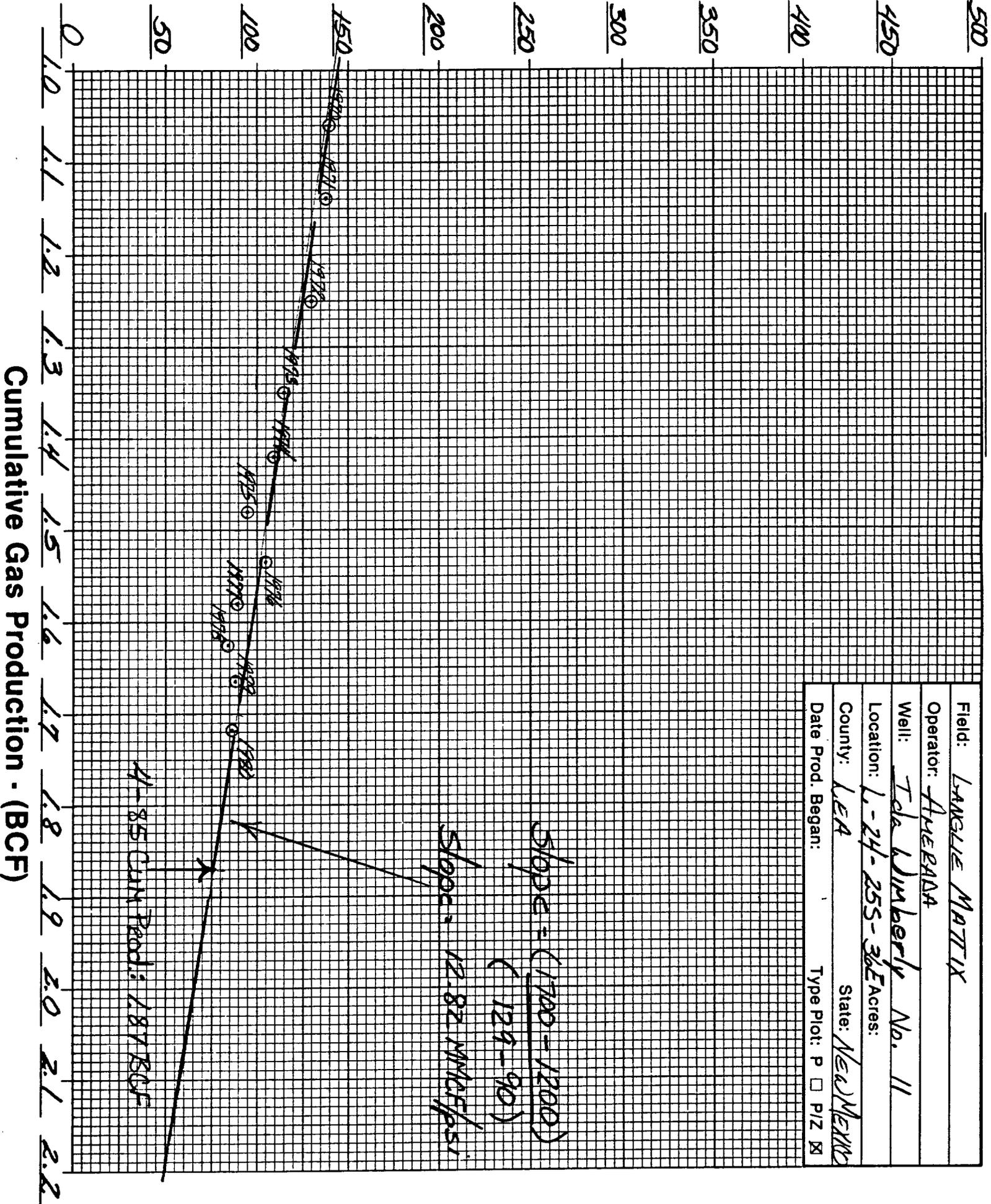
# Gas Production - MCF/month



Field: LANGLIE MATIX - TALMAT  
 Operator: AMERADA HESS CORP.  
 Well: IDA WIMBERLY No. 11  
 Location: L-24-255-37E  
 County: LEA State: NM  
 Date Prod. Began: Acres:

1000  
 10000  
 100000  
 1000000

Pressure or P/Z - (ps.)



Field: LANGUE MATTIX  
 Operator: AMERADA  
 Well: Toda Kimberly No. 11  
 Location: L-24-255-36E Acres:  
 County: LEA State: New Mexico  
 Date Prod. Began: \_\_\_\_\_ Type Plot: P  P/Z

CAMPBELL & BLACK. P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
J. SCOTT HALL  
PETER N. IVES  
LOURDES A. MARTINEZ

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87501  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

July 22, 1985

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

BEFORE EXAMINER QUINTANA	
OIL CONSERVATION DIVISION	
<del>HARTMAN</del>	EXHIBIT NO. <u>6</u>
CASE NO. <u>8668</u>	

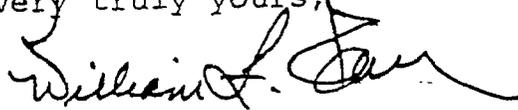
Mr. R. Howard Olson  
Post Office Box 32279  
Phoenix, Arizona 85018

Re: Case 8668: Application of Doyle Hartman for  
Compulsory Pooling, Lea County, New Mexico.

Dear Mr. Olson:

Enclosed is a copy of the docket for the Oil Conservation  
Division Examiner hearings scheduled for Wednesday, July 31,  
1985. You have an interest which may be affected by the  
above-referenced case.

Very truly yours,



William F. Carr

PS Form 3811, July 1983 447-845 DOMESTIC RETURN RECEIPT

Sent to	R. Howard Olson
Street and No.	P. O. Box 32279
P.O., State and ZIP Code	Phoenix, Arizona 85018
Postage	\$ .80
Certified Fee	
Special Delivery Fee	

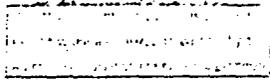
(See Reverse)

P 456 364 608  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

<p><b>SENDER: Complete items 1, 2, 3 and 4.</b> 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.</p>	
1. <input type="checkbox"/> Show to whom, date and address of delivery.	
2. <input type="checkbox"/> Restricted Delivery.	
3. Article Addressed to:	R. Howard Olson P. O. Box 32279 Phoenix, Arizona 85018
4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Certified <input checked="" type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD	P 456 364 608
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature of Addressee	
6. Signature - Agent	X
7. Date of Delivery	7-25-85
8. Addressee's Address (ONLY if requested and fee paid)	

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT



BEFORE EXAMINER QUINTANA	
OIL CONSERVATION DIVISION	
<u>HARTMAN</u>	EXHIBIT NO. <u>7</u>
CASE NO. <u>8668</u>	

OPERATING AGREEMENT

DATED

April 15, , 19 85 ,

OPERATOR Doyle Hartman

CONTRACT AREA SE/4 Section 27, T-23-S, R-36-E

COUNTY ~~OR PARISH~~ OF Lea STATE OF New Mexico

Bradley - Etz #1

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AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 2408 CONTINENTAL LIFE BUILDING,  
FORT WORTH, TEXAS, 76102, APPROVED FORM.  
A.A.P.L. NO. 610 - 1982 REVISED

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OPERATING AGREEMENT

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

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I. DEFINITIONS

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

- A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.
B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.
C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.
D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.
F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.
G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.
H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

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

ARTICLE II. EXHIBITS

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

- [X] A. Exhibit "A", shall include the following information:
(1) Identification of lands subject to this agreement,
(2) Restrictions, if any, as to depths, formations, or substances,
(3) Percentages or fractional interests of parties to this agreement,
(4) Oil and gas leases and/or oil and gas interests subject to this agreement,
(5) Addresses of parties for notice purposes.
[X] B. Exhibit "B", Form of Lease.
[X] C. Exhibit "C", Accounting Procedure.
[X] D. Exhibit "D", Insurance.
[ ] E. Exhibit "E", Gas Balancing Agreement.
[ ] F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.
[ ] G. Exhibit "G", Tax Partnership.

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

ARTICLE III.  
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner thereof shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties to the extent of one-eighth which shall be borne as hereinafter set forth.

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, or cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if any such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. Excess Royalties, Overriding Royalties and Other Payments:

Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.

D. Subsequently Created Interests:

If any party should hereafter create an overriding royalty, production payment or other burden payable out of production attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and accepted obligation of all parties (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred to as "burdened party"), and:

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,
2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

ARTICLE IV.  
TITLES

A. Title Examination: Title is presently being examined and a copy will be furnished on request.

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

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

## ARTICLE IV

continued

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

6  
 7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection  
 8 with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling  
 9 designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders.  
 10 This shall not prevent any party from appearing on its own behalf at any such hearing.

11  
 12 No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above  
 13 provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to par-  
 14 ticipate in the drilling of the well.

## B. Loss of Title:

15  
 16  
 17  
 18 ~~1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a~~  
 19 ~~reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days~~  
 20 ~~from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisi-~~  
 21 ~~tion will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil~~  
 22 ~~and gas leases and interests: and,~~

23 ~~(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be~~  
 24 ~~entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred~~  
 25 ~~but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;~~

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

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

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

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

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

42  
 43 ~~2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well~~  
 44 ~~payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates,~~  
 45 ~~there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required~~  
 46 ~~payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment,~~  
 47 ~~which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the~~  
 48 ~~date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in~~  
 49 ~~the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the~~  
 50 ~~required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to~~  
 51 ~~the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it~~  
 52 ~~shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled~~  
 53 ~~or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

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

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

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

62  
 63 ~~3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses~~  
 64 ~~and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of~~  
 65 ~~the Contract Area.~~

ARTICLE V.  
OPERATOR

A. Designation and Responsibilities of Operator:

Doyle Hartman

shall be the

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

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

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

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

D. Drilling Contracts:

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

ARTICLE VI.  
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 15th day of July, 1985, Operator shall commence the drilling of a well for oil and gas at the following location:

SE/4 Section 27, T-23-S, R-36-E

and shall thereafter continue the drilling of the well with due diligence to a depth sufficient to test the Jalmat (Gas) interval.

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall ~~make reasonable attempt to~~ thoroughly log, but not core or DST evaluate, all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to ~~evaluate~~ ~~and, unless this agreement shall be limited in its application to a specific formation or formation, in which case Operator shall be required to test only the formation or formations to which this agreement may apply.~~

## ARTICLE VI

continued

1 If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the  
2 well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.  
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6 B. Subsequent Operations:  
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8 1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided  
9 for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all  
10 the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the  
11 other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective forma-  
12 tion and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice  
13 within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drill-  
14 ing rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be  
15 limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party receiving such notice to reply within  
16 the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or  
17 response given by telephone shall be promptly confirmed in writing.  
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21 If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice  
22 period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on loca-  
23 tion, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all par-  
24 ties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties,  
25 for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain  
26 permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title ex-  
27 amination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the  
28 actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and  
29 if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accor-  
30 dance with the provisions hereof as if no prior proposal had been made.  
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34 2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option  
35 No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties  
36 giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of  
37 the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is  
38 on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all  
39 work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is  
40 a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed opera-  
41 tion for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Con-  
42 senting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and con-  
43 ditions of this agreement.  
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47 If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable  
48 notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as  
49 to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours  
50 (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit par-  
51 ticipation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and  
52 failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for  
53 such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party,  
54 at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.  
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58 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have  
59 elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such  
60 operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties.  
61 If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their  
62 sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a pro-  
63 ducer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,  
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ARTICLE VI  
continued

1 and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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12 (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

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16 (b) 300% of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing after deducting any cash contributions received under Article VIII.C., and 300% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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28 An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VII.B. shall be applicable as between said Consenting Parties in said well.

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39 During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

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

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53 Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unrecovered cost of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

## ARTICLE VI

continued

1 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above,  
 2 the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-  
 3 Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production  
 4 therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging  
 5 back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of  
 6 the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

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 10 Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall  
 11 be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such  
 12 well conforms to the then-existing well spacing pattern for such source of supply.

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 16 The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A.  
 17 except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well  
 18 after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for pro-  
 19 duction, ceases to produce in paying quantities.

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 23 3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have been  
 24 completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a  
 25 reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening  
 26 operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever  
 27 first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second gram-  
 28 matical paragraph of Article VI.B.2, shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently  
 29 withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion  
 30 each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Par-  
 31 ties.

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 35 4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall  
 36 also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole  
 37 location (herein called "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other  
 38 mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the  
 39 affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal  
 40 to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

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 44 (a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in  
 45 the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

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 49 (b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's  
 50 salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the  
 51 provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

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 54  
 55 In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period  
 56 shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and  
 57 receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time  
 58 incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand-  
 59 by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing par-  
 60 ty's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other in-  
 61 stances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

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 65 **C. TAKING PRODUCTION IN KIND:**

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 67 Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area,  
 68 exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for  
 69 marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any  
 70 party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

## ARTICLE VI

continued

1 required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

2  
3 Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from  
4 the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for  
5 its share of all production.

6  
7 In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of  
8 the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it,  
9 but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-  
10 taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to  
11 the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas  
12 not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such  
13 reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event  
14 for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate com-  
15 merce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

16  
17 **D. Access to Contract Area and Information:**

18  
19 Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations,  
20 and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books  
21 and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with  
22 governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of  
23 each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of  
24 gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that re-  
25 quests the information.

26  
27 **E. Abandonment of Wells:**

28  
29 1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been  
30 drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned  
31 without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply  
32 within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon  
33 such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in  
34 accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening  
35 such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further  
36 operations in search of oil and/or gas subject to the provisions of Article VI.B.

37  
38 2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted  
39 hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a  
40 producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall  
41 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within  
42 thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well,  
43 those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other  
44 parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of  
45 Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign  
46 the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and  
47 material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the in-  
48 terval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and  
49 gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or in-  
50 tervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is pro-  
51 duced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

## ARTICLE VI

continued

1 "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the  
 2 assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the  
 3 Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of  
 4 interests in the remaining portion of the Contract Area.

5  
 6 Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from  
 7 the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon re-  
 8 quest, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges con-  
 9 templated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned  
 10 well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to  
 11 repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the pro-  
 12 visions hereof.

13  
 14 3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between  
 15 Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be  
 16 permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified  
 17 of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article  
 18 VI.E.

## ARTICLE VII.

## EXPENDITURES AND LIABILITY OF PARTIES

## A. Liability of Parties:

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 24  
 25 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and  
 26 shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted  
 27 among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor  
 28 shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

## B. Liens and Payment Defaults:

29  
 30  
 31 Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share  
 32 of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon  
 33 at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the  
 34 state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the ob-  
 35 taining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien  
 36 rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share  
 37 of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from  
 38 the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each  
 39 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien  
 40 and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

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

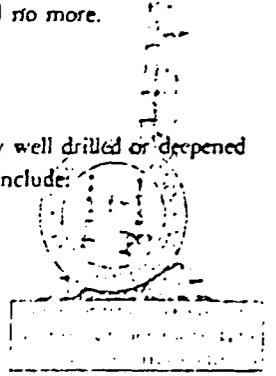
## C. Payments and Accounting:

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

53  
 54  
 55 Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance  
 56 of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding  
 57 month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together  
 58 with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted  
 59 on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within  
 60 fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount  
 61 due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual ex-  
 62 pense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

## D. Limitation of Expenditures:

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 64  
 65 1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened  
 66 pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:



## ARTICLE VII

continued

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

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

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

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen thousand Dollars (\$ 15,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Five thousand Dollars (\$ 5,000.00) but less than the amount first set forth above in this paragraph.

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

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

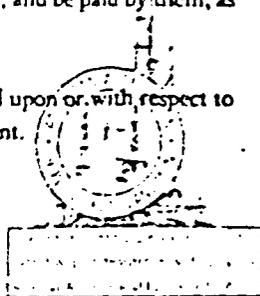
Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

## F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

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



## ARTICLE VII

continued

## 1 G. Insurance:

2  
3 At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of  
4 the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said com-  
5 pensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall  
6 also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part  
7 hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation  
8 law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.  
9

10 In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the  
11 parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.  
12

## 13 ARTICLE VIII.

## 14 ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

## 15 A. Surrender of Leases:

16 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole  
17 or in part unless all parties consent thereto.  
18

19 However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not  
20 agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in  
21 such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production  
22 thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas in-  
23 terest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering  
24 such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such  
25 lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all  
26 obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well  
27 attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and pro-  
28 duction other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the  
29 party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leas-  
30 ed acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of  
31 salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest  
32 shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.  
33  
34

35 Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering  
36 party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage  
37 assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this  
38 agreement.  
39

## 40 B. Renewal or Extension of Leases:

41 If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and  
42 shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the  
43 renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper pro-  
44 portionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the  
45 interests held at that time by the parties in the Contract Area.  
46

47 If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties  
48 who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area  
49 to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease.  
50 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.  
51

52 Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein  
53 by the acquiring party.  
54

55 The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease  
56 or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or  
57 contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or con-  
58 tracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to  
59 the provisions of this agreement.  
60

61 The provisions in this Article shall also be applicable to extensions of oil and gas leases.  
62

## 63 C. Acreage or Cash Contributions:

64 While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other  
65 operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be  
66 applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the con-  
67 tribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions  
68  
69  
70

## ARTICLE VIII

continued

1 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be  
 2 governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions  
 3 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to op-  
 4 tional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

5  
 6 If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such  
 7 consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

## D. Maintenance of Uniform Interest:

8  
 9  
 10  
 11 For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no  
 12 party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells,  
 13 equipment and production unless such disposition covers either:

- 14 1. the entire interest of the party in all leases and equipment and production; or
- 15 2. an equal undivided interest in all leases and equipment and production in the Contract Area.

16  
 17  
 18 Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement  
 19 and shall be made without prejudice to the right of the other parties.

20  
 21  
 22 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may  
 23 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for  
 24 and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such  
 25 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter  
 26 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract  
 27 Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

## E. Waiver of Rights to Partition:

28  
 29  
 30  
 31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an  
 32 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided  
 33 interest therein.

~~F. Preferential Right to Purchase:~~

34  
 35  
 36  
 37  
 38 Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract  
 39 Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the  
 40 name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms  
 41 of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase  
 42 on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchas-  
 43 ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par-  
 44 ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to  
 45 dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent com-  
 46 any or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

## ARTICLE IX.

## INTERNAL REVENUE CODE ELECTION

47  
 48  
 49  
 50 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association  
 51 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several  
 52 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax  
 53 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded  
 54 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as per-  
 55 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-  
 56 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the  
 57 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,  
 58 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further  
 59 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the  
 60 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other  
 61 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract  
 62 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,  
 63 Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is per-  
 64 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-  
 65 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the  
 66 computation of partnership taxable income.



ARTICLE X.  
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Ten thousand Dollars (\$ 10,000.00 ) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.  
FORCE MAJEURE

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

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

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

ARTICLE XII.  
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

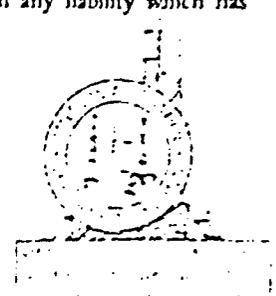
ARTICLE XIII.  
TERM OF AGREEMENT

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

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

Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.



## ARTICLE XIV.

## COMPLIANCE WITH LAWS AND REGULATIONS

## A. Laws, Regulations and Orders:

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

## B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of New Mexico shall govern.

## C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

## ARTICLE XV.

## OTHER PROVISIONS

A. Creation of Subsequent Interest

Notwithstanding the provisions of Article VIII. D. hereof, the parties hereto agree that if any party shall hereafter create any Overriding Royalty, Production Payment, or other burden against its working interest production and if any party or parties shall conduct non-consent operations pursuant to any provision of this agreement, and, as a result, become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement. In this regard, any such interest which may have been created subsequent to this agreement shall ipso facto terminate and vest in the consenting parties.

B. Hearings Before Regulatory Agencies

All costs and expenses incurred in connection with the employment of counsel and/or technical experts for the purpose of preparing for and conducting any hearing before any State Regulatory Agency are hereby authorized and shall be charged to the joint account as an item of operating expense. In the case of a Forced Pooling action, such costs and expenses shall be born and paid by the party or parties who have previously agreed to share same or whose interest is increased as a result of such action. Such costs and expenses shall be born on the basis of the relative participation of such parties as set forth on Exhibit "A".

C. Natural Gas Price Rules

1. Operator shall file all Applications for Determination of Price Category required by the Natural Gas Policy Act (NGPA). Operator shall give notice of the filing of such Applications to all Non-Operators. If for any reason the Application for Determination of Price Category filed by the Operator is unsatisfactory to a Non-Operator, then such Non-Operator shall

notify Operator of his dissatisfaction and the reasons therefore. If Operator and the dissatisfied Non-Operator are unable to reach an agreement as to the disputed Application for Determination of Price Category, then, if allowed by the appropriate jurisdictional agency such Non-Operator may file a separate application for Determination of Price Category. The Non-Operator shall mail a copy of this application to Operator and to all Non-Operators in the Contract Area.

2. Operator is hereby authorized to make any and all filings under the NGPA which can be made on behalf of the Non-Operators under the NGPA and the regulations promulgated thereunder. Said filings shall include, but not be limited to, "interim collection" filings under Part 273 of the regulations implementing the NGPA.
3. Operator is authorized to employ counsel and technical experts which, in the Operator's discretion, are reasonably necessary for the preparation of any and all NGPA filings. All costs incurred in the employment of such counsel and technical experts shall be deemed a cost and expense incurred in the operation of the Contract Area and shall be charged to the joint account as an item of operating expense.

ARTICLE XVI.  
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of 15th day of July, 19 85.

OPERATOR

\_\_\_\_\_  
Doyle Hartman

NON-OPERATORS

Ashland Exploration, Inc.

HCW Income Properties, Inc.

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

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

Rufus Gordon "Pete" Clay Trust  
dated 9-1-79

Barton Brothers Land & Royalty Company

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

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

Co-Trustee

ARCO Oil & Gas Company

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

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

Co-Trustee

Margaret Clay Couch Trust  
dated 9-1-79

Cities Service Oil & Gas Corporation

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

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

Co-Trustee

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

Lewis Burleson

Co-Trustee

Evelyn Clay O'Hara Trust  
dated 9-1-79

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

Co-Trustee

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

Co-Trustee

EXHIBIT "A"

Attached to and made a part of the Operating  
Agreement dated April 15, 1985  
and covering SE/4 Section 27, T-23-S, R-36-E

County, New Mexico between DOYLE HARTMAN as  
Operator and Ashland Exploration, Inc. et al

as Non-Operators.

1. a) Land Subject to Agreement

SE/4 Section 27, T-23-S, R-36-E

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b) Depth Limitations

From the surface to the base of the Jalpat (Gas)  
formation.

c) Drilling (Proration) Unit for Initial Test

SE/4 Section 27, T-23-S, R-36-E

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II. Percentages of Interests and Addresses of Parties\*

Doyle Hartman	8.854375
Ashland Exploration, Inc. P.O. Box 218330 Houston, Texas 77218 Attn: Mr. Frank Hayes	1.562500
Barton Brothers Land & Royalty P.O. Box 968 Hobbs, New Mexico 88240 Attn: Mr. Roy G. Barton, Jr.	3.906250
Cities Service Oil and Gas Corporation P.O. Box 1919 Midland, Texas 79702 Attn: Mr. E. F. Motter	37.500000
ARCO Oil & Gas Company P.O. Box 1610 Midland, Texas 79702	7.551875
HCW Income Properties P.O. Box 10585 Midland, Texas 79702 Attn: Mr. James C. Brown	6.431875
Mr. James C. Brown P.O. Box 10585 Midland, Texas 79702	0.338750

EXHIBIT "A" (Cont'd)

Rufus Gordon "Pete" Clay Trust c/o MBank P.O. 910 Fort Worth, Texas 76101	9.930625
Margaret Clay Couch Trust c/o MBank P.O. 910 Fort Worth, Texas 76101	9.930625
Evelyn Clay O'Hara Trust c/o MBank P.O. 910 Fort Worth, Texas 76101	9.930625
Management Trust Company P.O. Box 10621 Midland, Texas 79702	4.062500
	<hr/> 100.000000

\* These interests may be revised as soon as our attorney submits his title opinion.

# OIL & GAS LEASE

THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, between \_\_\_\_\_

of \_\_\_\_\_  
(Post Office Address)

herein called lessor (whether one or more) and \_\_\_\_\_, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the following described land in \_\_\_\_\_ County, New Mexico, to-wit:

Said land is estimated to comprise \_\_\_\_\_ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of \_\_\_\_\_ years from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or from land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well \_\_\_\_\_ of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of \_\_\_\_\_ of the gas used,

provided that on gas sold on or off the premises, the royalties shall be \_\_\_\_\_ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term and under such conditions as are customary in the industry. "Price" shall mean the net amount received by lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land and agrees that lessee at its option may discharge any tax, mortgage or other lien upon said land, and in the event lessee does so it shall be subrogated to such lien with the right to enforce same and to apply royalties and shut-in royalties payable hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its or his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

## EXHIBIT " C "

Attached to and made a part of the Operating Agreement dated  
April 15, 1985 and covering the SE/4 Section 27,  
T-23-S, R-36-E, Lea County, New Mexico between DOYLE HARTMAN  
as Operator and ASHLAND EXPLORATION, INC. ET AL as Non-Operators.

## ACCOUNTING PROCEDURE JOINT OPERATIONS

### I. GENERAL PROVISIONS

#### 1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

#### 2. Statement and Billings

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

#### 3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators. prime rate plus 1.25%

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

#### 4. Adjustments

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

#### 5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

#### 6. Approval by Non-Operators

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

**II. DIRECT CHARGES**

Operator shall charge the Joint Account with the following items:

**1. Rentals and Royalties**

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

**2. Labor**

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

**3. Employee Benefits**

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed ~~twenty per cent (20%)~~ twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountant Society of North America.

**4. Material**

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

**5. Transportation**

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties, except as specifically authorized by Article XV A.1. of the Operating Agreement to which this Exhibit is attached.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

**6. Services**

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

**7. Equipment and Facilities Furnished by Operator**

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

**8. Damages and Losses to Joint Property**

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

**9. Legal Expense**

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

**10. Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

**11. Insurance**

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

**12. Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

**III. OVERHEAD****1. Overhead - Drilling and Producing Operations**

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

- (  ) Fixed Rate Basis, Paragraph 1A, or  
(     ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

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

**A. Overhead - Fixed Rate Basis**

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

Drilling Well Rate \$	<u>          \$5,500          </u>
Producing Well Rate \$	<u>          \$550          </u>

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

**(a) Drilling Well Rate**

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

**(b) Producing Well Rates**

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

**B. Overhead - Percentage Basis**

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

(a) Development

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

(b) Operating

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

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

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

~~2. Overhead - Major Construction~~

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

~~A. \_\_\_\_\_ % of total costs if such costs are more than \$ \_\_\_\_\_ but less than \$ \_\_\_\_\_; plus~~

~~B. \_\_\_\_\_ % of total costs in excess of \$ \_\_\_\_\_ but less than \$1,000,000; plus~~

~~C. \_\_\_\_\_ % of total costs in excess of \$1,000,000.~~

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

**3. Amendment of Rates**

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

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

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

**1. Purchases**

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

**2. Transfers and Dispositions**

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

**A. New Material (Condition A)**

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

(2) Line Pipe

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

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

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

**B. Good Used Material (Condition B)**

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

(1) Material moved to the Joint Property

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

(2) Material moved from the Joint Property

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

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

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

**C. Other Used Material (Condition C and D)**

**(1) Condition C**

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

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**D. Obsolete Material**

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

**E. Pricing Conditions**

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

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

**3. Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

**4. Warranty of Material Furnished by Operator**

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

**V. INVENTORIES**

The Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

**2. Reconciliation and Adjustment of Inventories**

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

**3. Special Inventories**

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

**4. Expense of Conducting Periodic Inventories**

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





ARTICLE XVI.  
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of 15th day of July, 19 85.

OPERATOR

\_\_\_\_\_  
Doyle Hartman

NON-OPERATORS

Ashland Exploration, Inc.

HCW Income Properties, Inc.

\* By: \_\_\_\_\_  
Igor Effimoff-Vice President-Exploration  
Rufus Gordon "Pete" Clay Trust  
dated 9-1-79

*Handwritten initials: GC, RA, JK*

By: \_\_\_\_\_  
Barton Brothers Land & Royalty Company

By: \_\_\_\_\_  
Co-Trustee

By: \_\_\_\_\_  
ARCO Oil & Gas Company

By: \_\_\_\_\_  
Co-Trustee

By: \_\_\_\_\_  
Cities Service Oil & Gas Corporation

Margaret Clay Couch Trust  
dated 9-1-79

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

By: \_\_\_\_\_  
Co-Trustee

By: \_\_\_\_\_  
Co-Trustee

Lewis Burleson

Evelyn Clay O'Hara Trust  
dated 9-1-79

By: \_\_\_\_\_  
Co-Trustee

By: \_\_\_\_\_  
Co-Trustee

\*Executed subject to that certain Conditional Letter of Acceptance dated April 25, 1985.



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS  
GOVERNOR

July 24, 1989

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

William F. Carr, Esq.  
Campbell and Black, P.A.  
P. O. Box 2208  
Santa Fe, New Mexico 87504-2208

Re: Reopening of Cases 8668 and 8769

Dear Mr. Carr:

Your request to have the above reopened cases heard by the Commission rather than by a Division Examiner is hereby denied. Because you are seeking reconsideration of Division orders, it is appropriate that those orders be heard by the Division first.

It is my policy not to bring cases directly to the Commission unless they are of precedential value or de novo cases which are required to be before the Commission.

In one of the case files, there was a request for continuance of this case to the August 9th docket. Unless I hear further from you, these cases will be continued to August 9, 1989.

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. Lemay".

WILLIAM J. LEMAY,  
Director

WJL/RGS/dr

CC: J. E. Gallegos, Esq.  
Don Maddox, Esq.  
Harold L. Hensley, Jr., Esq.  
W. Thomas Kellahin, Esq.

# GALLEGOS LAW FIRM

A Professional Corporation

300 Paseo de Peralta  
Suite 100  
Santa Fe, New Mexico 87501  
505 • 983 • 6686  
Telefax No. 505 • 986 • 0741

J. E. Gallegos  
George F. Bingham\*  
Michael L. Oja †  
Felice G. Gonzales  
Joanne Reuter

*W. Hensley*  
*7/5 '89*

June 29, 1989

Our File No. 87-1.3

*W. Hensley*

JUL - 2 1989

OIL CONSERVATION DIV.  
SANTA FE

Ms. Florene Davidson  
OCD Staff Specialist  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

RE: Application of Howard Olsen to Reopen  
Case 8668 and to Reopen Case 8769

Dear Ms. Davidson:

These two cases have been on file for well over a year and we have asked that they be set for hearing and concluded. We have learned that they were to be set on the July 12, 1989 docket. Unfortunately, that will not allow sufficient time to schedule and perform depositions of some key witnesses.

It would be appreciated if these matters could be called for hearing on the July 26, 1989 docket.

Very truly yours,

GALLEGOS LAW FIRM

By *J. E. Gallegos*  
J. E. GALLEGOS

JEG:evm

cc: Harold Hensley, Esq.

# Memo

From

ROBERT G. STOVALL  
General Counsel

To Bill L.

Under section 70-2-6 B.  
of the Oil & Gas Act and rule  
1216 of Division rules - this  
case must to you have  
complete discretion whether  
to move this case to the  
Commission. Whatever your  
decision - no explanation  
or justification is necessary

---

Because they are seeking <sup>reconstruction</sup> ~~review~~  
Division orders - I think it is appropriate  
to leave case at Division level.

Oil Conservation Division Santa Fe, New Mexico 87503  
(505) 827-5805

---

Bob - Write denied letter  
Bill

CAMPBELL & BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
J. SCOTT HALL  
JOHN H. BEMIS  
WILLIAM P. SLATTERY  
MARTE D. LIGHTSTONE  
PATRICIA A. MATTHEWS

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 988-4421  
TELECOPIER: (505) 983-6043

July 21, 1989

**HAND DELIVERED**

William J. LeMay  
Director, Oil Conservation Div.  
New Mexico Department of Energy,  
Minerals & Natural Resources  
State Land Office Building  
Santa Fe, New Mexico 87503

RECEIVED

JUL 21 1989

OIL CONSERVATION DIVISION

Re: **Case 8668: In the Matter of Case No. 8668 being reopened upon Application of Howard Olsen to Reconsider the Provisions of Division Order No. R-8031.**

**Case 8769: In the Matter of Case No. 8769 being reopened upon Application of Howard Olsen to Reconsider the Provisions of Division Order No. R-8091.**

Dear Mr. LeMay:

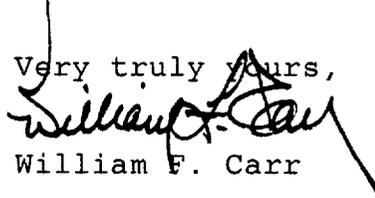
I represent Doyle Hartman, in association with the Gallegos Law Firm, in the above-referenced cases which are currently scheduled for hearing before a Division Examiner on July 26, 1989.

The purpose of this letter is to request that these cases be continued to the August 17, 1989, Oil Conservation Commission hearing. The attorneys for Howard Olsen join in this request for continuance.

In these cases the Division is asked to reconsider orders which Mr. Hartman obtained that pooled interests of Mr. Olsen. The questions raised in these cases will ultimately have to be resolved by the courts and an Examiner Hearing is an unnecessary step in obtaining final resolution of this matter. It, therefore, would be more efficient for the parties and the Division, in terms of both the cost and time involved, if the matter could be heard initially by the Commission.

William J. LeMay  
Director, Oil Conservation Div.  
July 21, 1989  
Page -2 -

Your attention to this matter is appreciated.

Very truly yours,  
  
William F. Carr

WFC:ep

cc: J.E. Gallegos, Esq.  
Don Maddox, Esq.  
Harold L. Hensley, Jr., Esq.  
Doyle Hartman  
W. Thomas Kellahin, Esq.

Exhibits 1 through 8