

J. M. HUBER CORPORATION

OIL AND GAS DIVISION GENERAL OFFICE

2000 WEST LOOP SOUTH

HOUSTON, TEXAS 77027

713 621-8750

May 14, 1976

Mr. Roger C. Hanks
P. O. Box 3148
Midland, Texas 79701

Re: Salt Water Disposal Well
NE/4 NW/4 Section 9
T20S-R25E, Eddy County, N.M.

Dear Mr. Hanks:

This will evidence the agreement between you and this company relative to your acquisition of an interest in the King Resources-Pubco-Com well, located in the NE/4 NW/4 Section 9, T20S-R25E, Eddy County, New Mexico.

You shall on or before July 1, 1976, but after delivery to Huber of the sum of \$4,000 reenter the above described well and thereafter deepen said well without unnecessary delay and in a workmanlike manner to a depth sufficient to test adequately the Devonian formation expected to require the drilling of said well to a depth of approximately 10,200'. Upon reaching a depth approximately 50' into the top of the Devonian formation, you will run a drill stem test to Huber's satisfaction to condemn or confirm the presence of Hydrocarbons. If Huber does not elect to take over the well as hereinafter set forth, you will drill the well to a depth sufficient to penetrate the Devonian formation for adequate salt water disposal needs.

If upon running the drill stem test or at a depth reached in the well thereafter, in Huber's opinion, any potentially commercial Hydrocarbons are encountered, at Huber's request and option, Huber may take over the well reimbursing you the \$4,000 originally paid to Huber in addition to your actual costs of drilling the well to the depth at which Huber takes over and you will earn no interest in the well or any of the acreage.

The entire cost, risk, and expense of drilling, testing and completing the well as a salt water disposal well shall be borne exclusively by you. You will drill the well in compliance with all federal rules, orders, regulations and laws of state, local or federal authorities and in accordance with approved drilling practices. You will obtain any and all necessary approvals and/or permits necessary for the disposal of salt water in said