

DESIGNATION OF AGENT

The undersigned is, on the records of the Bureau of Land Management, unit operator under the Big Eddy Unit Agreement, Lea and Eddy Counties, New Mexico, No. 14-08-001-326, approved and effective the 1st day May, 1952, and hereby designates

NAME: Chi Operating, Inc. (herein referred to as "the designated agent")

ADDRESS: P. O. Box 1799
Midland, Texas

as its designated agent, with full authority to act in its behalf in complying with the terms of the unit agreement and regulations applicable thereto and on whom the authorized officer or its representative may serve written or oral instructions in securing compliance with the Oil and Gas Operating Regulations with respect to drilling, testing, and completing a unit well designated as the Big Eddy Unit No. 137 in the NE/4 (2,310' FNL, 1,650' FEL) of Section 16, T21S-R29E, Eddy County, New Mexico.

The designated agent agrees to perform all work hereunder in compliance with applicable Federal and State laws, orders, rules and regulations including, but not limited to, the proper plugging and abandonment and surface restoration associated with the above well. The designated agent further agrees to keep its operations free and clear of all claims or liens for labor and materials furnished or used in connection with the drilling of any well.

It is understood that this designation of agent does not relieve the unit operator of responsibility for compliance with the terms of the unit agreement and the Oil and Gas Operating Regulations. It is also understood that this designation of agent does not constitute an assignment of any interest under the unit agreement or any lease committed thereto.

In case of default on the part of the designated agent, the unit operator will make full and prompt compliance with all regulations, lease terms or orders of the Secretary of the Interior or his duly authorized representative.

The unit operator agrees promptly to notify the authorized officer of any change in the designated agent.

This designation of agent is deemed to be temporary and in no manner a permanent arrangement, and a designated agent may not designate another party as agent.

The designated agent agrees to assume all liability therefore and indemnify, and save harmless the unit operator and its affiliated companies and their agents, servants, directors, officers and employees (collectively "Indemnities") from and against any and all liabilities, damages, claims (including claims under any bond), suits, costs (including court costs, attorney's fees and costs of investigations) and actions of any kind arising out of or alleged to arise by reason of injury to or death of any person or damage to or loss of property, including consequential damages arising therefrom, or by reason of any other claim whatsoever of any person or party arising out of, incident to, or in connection with any operation hereunder of designated agent or of any invitee, licensee, employee, director, officer, servant, contractor or subcontractor of designated agent, or by reason of any breach, violation, or non-performance by designated agent or any invitee, licensee, employee, director, officer, servant, contractor or subcontractor of designated agent of any covenant, duty, obligation, provision or condition, express or implied, contained in any oil and gas lease, or intermediate assignment thereof, assigned pursuant to the provisions hereof, excluding only any damage or injury attributed solely to the negligence of any Indemnities.