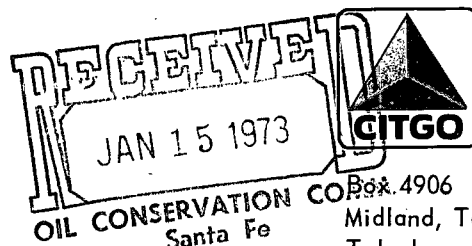


CITIES SERVICE OIL COMPANY



January 12, 1973

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. A. L. Porter, Jr.

Gentlemen:

Re: Amendment to Request for Non-
Standard Gas Proration Unit,
Blinebry Gas Pool, Brunson B
Lease, Lea Co., New Mexico

Cities Service Oil Company requests an amendment to Commission Administrative Order NSP-895 dated December 15, 1972 which grants Cities Service administrative approval to form two non-standard gas proration units consisting of the following acreage:

Lea County, New Mexico
Township 22 South, Range 37 East, NMPM
Unit No. 1: Section 3: SW/4 SW/4
Unit No. 2: Section 3: ~~EW/2~~ SW/4 + NW/4 SW/4

The request seeks to add an additional 40 acres, located at the NW/4 of the SW/4 Section 3-T22S-R37E Lea County, New Mexico, to gas proration Unit No. 2. The purpose of this addition is to form a 120 acre non-standard gas proration unit to be dedicated to Brunson B Well No. 2, located 1912 feet from the South Line and 1912 feet from the West Line of said Section 3.

In support of this request, the following data is submitted:

1. Revised plat showing requested acreage assignment
2. Agreement between Sinclair Oil and Gas Company (now Atlantic Richfield) and Cities Service to form a gas proration unit to cover the SW/4 Section 3-T22S-R37E, Lea County, New Mexico

January 12, 1973

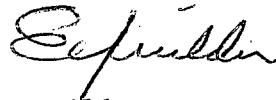
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Standard Gas Proration Unit,
Blinebry Gas Pool, Brunson B
Lease, Lea Co., New Mexico

3. Revised Form C-104 request for allowable and authorization to
transport oil and natural gas
4. Copy of Administrative Order No. NSP-895

Very truly yours,

CITIES SERVICE OIL COMPANY



E. Y. Wilder
Region Operation Manager

ls/MWD/EYW

Attachments

cc: NMOCC - Hobbs
CSO - Tulsa

Brunson B.

SUPPLEMENTAL OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this 15th day of March, 1956,
by and between CITIES SERVICE OIL COMPANY, a corporation with offices in the
Cities Service Building, Bartlesville, Oklahoma, and SINCLAIR OIL & GAS COMPANY,
a corporation with offices in the Fair Building, Fort Worth, Texas,

WITNESSETH THAT:

WHEREAS, said parties own jointly the oil and gas rights below the depth
of 3,850 feet under a valid and subsisting oil and gas lease dated March 21, 1927,
executed by Rollen L. Brunson and Mary T. Brunson, his wife, as Lessors, to M. W.
Cell, as Lessee, recorded in Book 8, Page 196 of the records of Lea County, New
Mexico, covering among other lands, the following described land, to-wit:

The Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ SW $\frac{1}{4}$) and
the South Half of the Southwest Quarter (S $\frac{1}{2}$ SW $\frac{1}{4}$) of Section
Three (3), Township Twenty Two (22) South, Range Thirty Seven
(37) East, Lea County, New Mexico,

and

WHEREAS, by virtue of that certain Unit Drilling and Operating Contract
dated October 6, 1936, Cities Service Oil Company, hereinafter referred to as
"Operator", is presently operating producing oil wells on said lands for the bene-
fit of the joint account of said parties, both of said parties with respect to such
joint leasehold ownership and operations being hereinafter referred to jointly as
"First Party",

and

WHEREAS, the oil and gas rights under the above described lease insofar
as it covers the Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ SW $\frac{1}{4}$) of Section
Three (3), Township Twenty Two (22) South, Range Thirty Seven (37) East, Lea
County, New Mexico, are owned by Sinclair Oil & Gas Company, said company with res-
pect to its leasehold ownership of said forty (40) acre tract, being hereinafter
referred to as "Second Party",

and

WHEREAS, the parties hereto desire to form a 160 acre gas unit comprised
of the above described lands and enter into a supplemental agreement whereby Opera-
tor will attempt to dually complete a well or wells on said Unit for the production
of gas.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and advantages herein contained, the parties hereto do enter into the following agreement:

I.

The gas rights of the parties hereto in the Elinebry Gas Pool at approximately 5,600 feet and in the Tubb Gas Pool at approximately 6,200 feet under the Southwest Quarter (SW $\frac{1}{4}$) of Section Three (3), Township Twenty-two (22) South, Range Thirty-seven (37) East, Lea County, New Mexico, shall comprise the "Unit" as referred to herein; it being the intent of the parties hereto that this agreement shall apply to dry gas and associated liquid hydrocarbons produced and capable of being produced from a gas well as defined by the Oil Conservation Commission of New Mexico and situated upon the Unit and that this agreement shall not include or affect in any manner whatsoever any of the production of hydrocarbons from any oil well located on the Unit or any of the production of hydrocarbons from other than a Gas Pool as defined by the Oil Conservation Commission of New Mexico.

II.

Except as herein expressly provided, all operations conducted hereunder shall be in accordance with the terms and conditions of said Unit Drilling and Operating Contract of October 6, 1936, and all costs, expenses and liabilities accruing or resulting from the development and operation of the Unit pursuant to this agreement shall be determined, shared and borne by "First Party" in the proportions of the interests set forth therein, and any benefits received shall be owned by First Party in such proportions.

III.

Operator will undertake to dually complete the Mary Brunson "B" No. 6 well located in the Southwest Quarter of the Southwest Quarter (SW $\frac{1}{4}$ SW $\frac{1}{4}$) of said Section Three (3), as a gas well from which dry gas and associated liquid hydrocarbons from the Elinebry Gas Pool will be produced. If for any reason, Operator should be unable to dually complete said well, then in that event, this agreement shall terminate and be of no further force and effect, provided, however, Operator may, at First Party's discretion, undertake to utilize any other well owned by First Party within the Unit Area as the Unit Well.

It is understood and agreed that the parties hereto are contemplating the attempted dual completion of another well on the Unit covered hereby for the production of gas from the Tubb formation and at a time to be mutually agreed upon

by said parties, Operator shall attempt to dually complete such well, as selected by First Party, as a gas well from which dry gas and associated liquid hydrocarbons from the Tubb Gas Pool will be produced, in which event the terms and conditions contained herein shall be applicable to such well and the production therefrom.

IV.

It is understood and agreed that Second Party will not own or be entitled to own any interest in any Unit well or in the material and equipment therein and thereon, nor be responsible for any part of the cost of drilling, completing, testing, equipping, producing, re-working or plugging any such well.

In consideration for the services performed and to be performed by Operator at First Party's expense, in developing and operating the Unit, First Party, in addition to the proceeds of production attributable to tracts owned by it in the Unit, shall be entitled to receive one-fourth of eight-eighths ($1/4$ of $8/8$) of the proceeds of all dry gas and associated liquid hydrocarbons produced and marketed from the Unit insofar as said production is attributable to the tract of Second Party. Said one-fourth of eight-eighths ($1/4$ of $8/8$) to be a net amount to First Party and shall not be chargeable with any taxes levied upon the production or upon the leasehold interest out of which it is payable, nor with any royalties attributable to Second Party's interest.

Second Party shall be entitled to receive three-fourths of eight-eighths ($3/4$ of $8/8$) of the proceeds of the sale of dry gas and associated liquid hydrocarbons produced and marketed from the Unit insofar as said production is attributable to the tract of Second Party. Second Party's interest shall be subject to payment of the entire royalty attributable to Second Party's leasehold interest and the taxes levied upon or against or measured by the production of dry gas and associated liquid hydrocarbons allocated to the tract owned by Second Party within the Unit, including the ad valorem taxes based upon the value of production.

V.

Operator shall render and pay such ad valorem taxes as may be due under existing laws and which may be due under future laws, imposing such ad valorem taxes upon the leasehold interest under the Unit covered hereby. Operator shall bill Second Party for its proportionate share of such tax payments. Second Party agrees to promptly reimburse Operator for all such taxes upon receipt of such statements.

VI.

Operator shall have a lien upon the interest of Second Party which is subjected to this agreement, the gas thereon, and the proceeds thereof to secure Operator in payment of any sum due to First Party hereunder from Second Party. The lien herein provided for shall not extend to any royalty rights attributable to Second Party's interest.

VII.

First Party will not be liable for any injury or damage resulting from operations upon any part of the Unit Area not under the control of Operator. Second Party will not be liable for any injury or damage resulting from First Party's operations upon the Unit.

It is expressly agreed that it is not the purpose or intention of this agreement to create nor shall the operations hereunder be construed or considered as a joint venture or as any kind of partnership. Each of the parties hereby elects to be excluded from the application of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, pursuant to the provisions of Section 761 (a) of said Subchapter K.

VIII.

This agreement shall be effective as of the date upon which an allowable production allocated to the entire Unit is first produced and shall remain in full force and effect for a period of one (1) year and so long thereafter as dry gas with or without associated liquid hydrocarbons is produced from any part of the Unit in paying quantities.

IX.

This agreement shall extend to and bind the respective administrators, successors and assigns of the parties hereto.

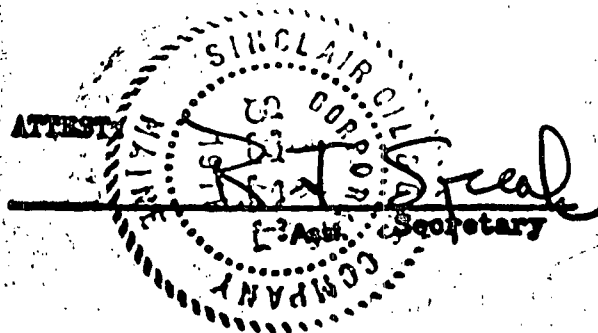
IN WITNESS WHEREOF, the parties hereto have signed this agreement the day and year first above written.

CITIES SERVICE OIL COMPANY

By [Signature]
Attorney-in-Fact

SINCLAIR OIL & GAS COMPANY

By [Signature]
President



WJH
APPROVED
AS TO
SUBSTANCE
CST
J. M. O. R.
Law