



TENNECO OIL COMPANY • P. O. BOX 1031 • 1800 WILCO BUILDING • MIDLAND, TEXAS 79701

April 23, 1965

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

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

Gentlemen:

Tenneco Oil Company requests permission to commingle production from the following properties:

Sweeney Federal Lease (NM 0309377-A, NM 09003, and NM 0309377)
Being the SW/4 of Section 13, T-19-S, R-31-E
Jones Federal Lease (NM 0107697)
Being the SW/4 of Section 23, NE/4 and SW/4 of Section 25,
NE/4 and SW/4 of Section 26, all in T-19-S, R-31-E
Jones Federal "B" Lease (NM 0107697)
Being the SE/4 of Section 23, NW/4 and SE/4 of Section 25,
NW/4 and SE/4 of Section 26, all in T-19-S, R-31-E
Jones Federal "C" Lease (NM 0107697)
Being the SW/4 of Section 24, T-19-S, R-31-E
Jones Federal "D" Lease (NM 0107697)
Being the NW/4 of Section 24, T-19-S, R-31-E
Jones Federal "E" Lease (NM 0107697)
Being the NE/4 of Section 23, T-19-S, R-31-E
Jones Federal Unit (NM 0107697 and LC 029358)
Being the NE/4 of Section 24, T-19-S, R-31-E
Delhi-Federal Lease (NM 0107697, LC 029358, and NM 0107698)
Being the NW/4 of Section 30, T-19-S, R-32-E

All of the above are in Eddy County, New Mexico, except for the Delhi-Federal Lease which is in Lea County, New Mexico.

In addition to the above producing tracts, permission is requested to commingle the following properties, when production is established, into the central battery.

Dozier Federal Lease (NM 0554775 and NM 0175771)
Being the SW/4 of Section 14, T-19-S, R-31-E, Eddy County, New Mexico
Jones Federal Unit "A" (NM 0107697, NM 0149954, and NM 09003)
Being the NW/4 of Section 23, T-19-S, R-31-E, Eddy County, New Mexico

TENNECO OIL COMPANY

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April 23, 1965

Attached in triplicate are location plats and schematic diagrams of the commingling facilities designed in accordance with the Commission's Manual for the Installation and Operation of Commingling Facilities. The central tank battery is to be located on the Jones Federal "C" Lease.

Also attached are: Letter of Consent to Commingle from the United States Geological Survey; copy of Agreement to Commingle Production executed by several parties owning an interest in the above-mentioned leases; copies of letters and proof of mailing to the remaining parties owning an interest in the leases; copy of letter from the oil transporter agreeing to the commingling; and, Table No. 1 showing the division of lease ownership.

Your early consideration of this request will be appreciated.

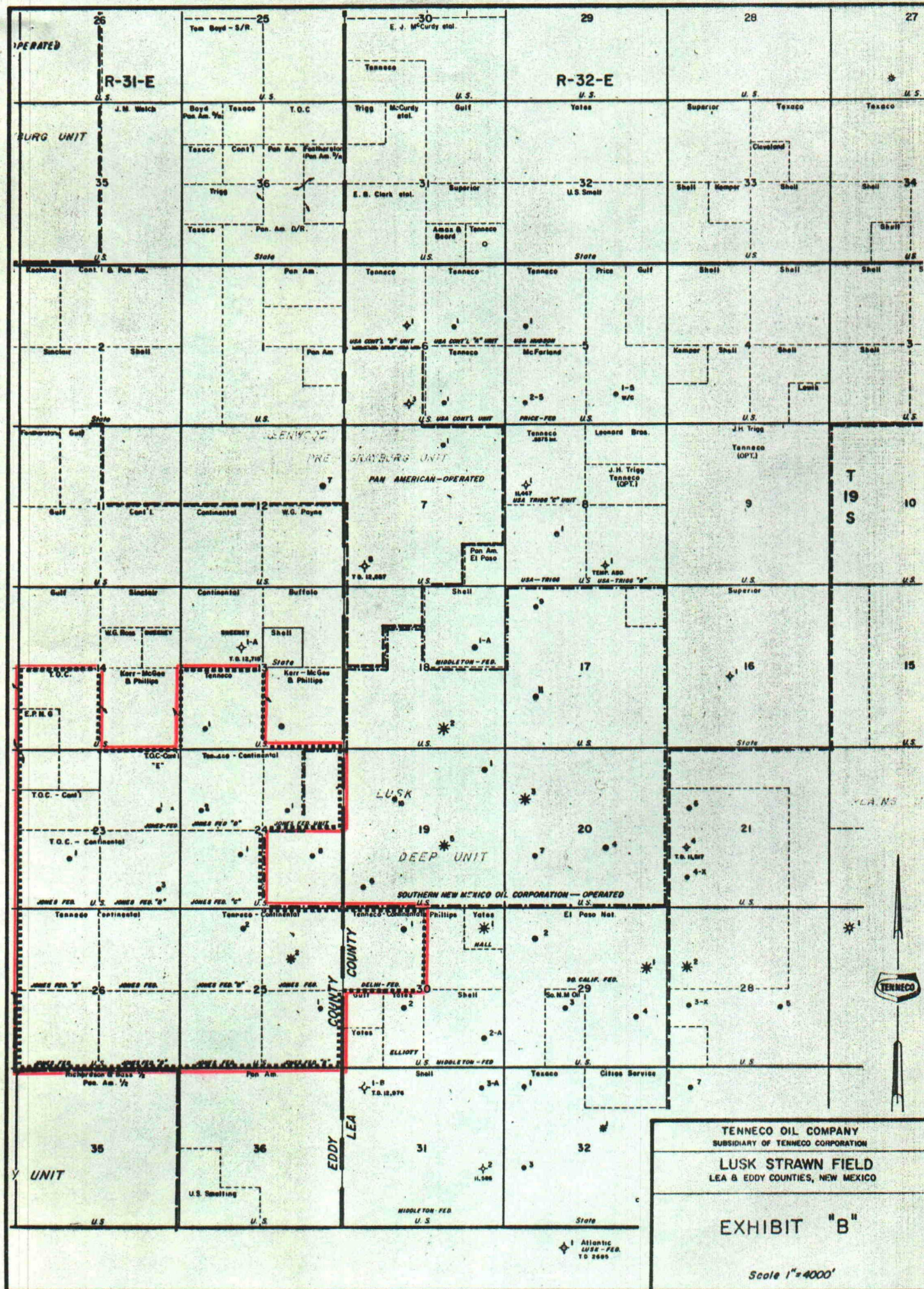
Yours very truly,

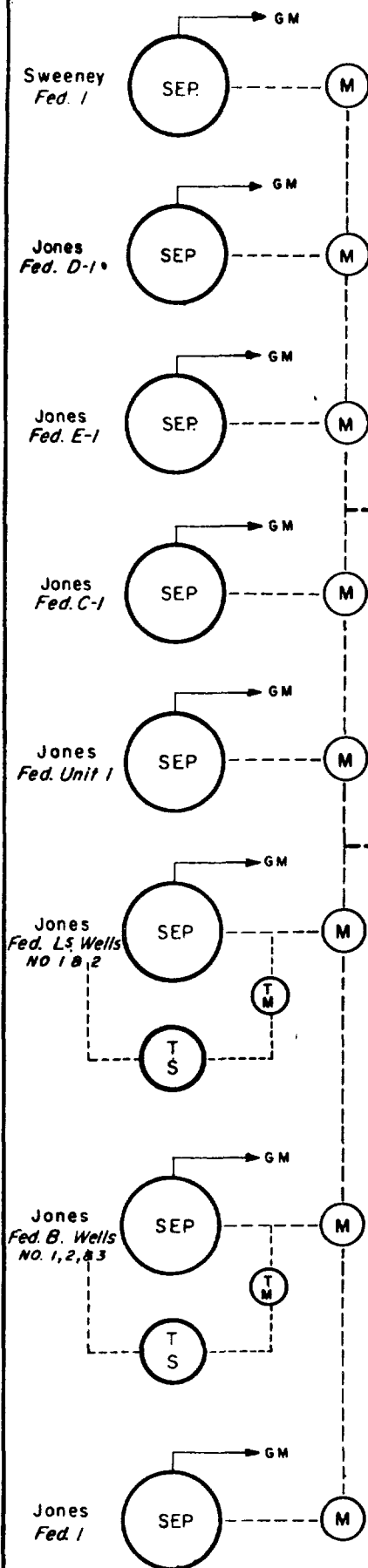
TENNECO OIL COMPANY

A handwritten signature in cursive script, appearing to read "A. W. Lang".

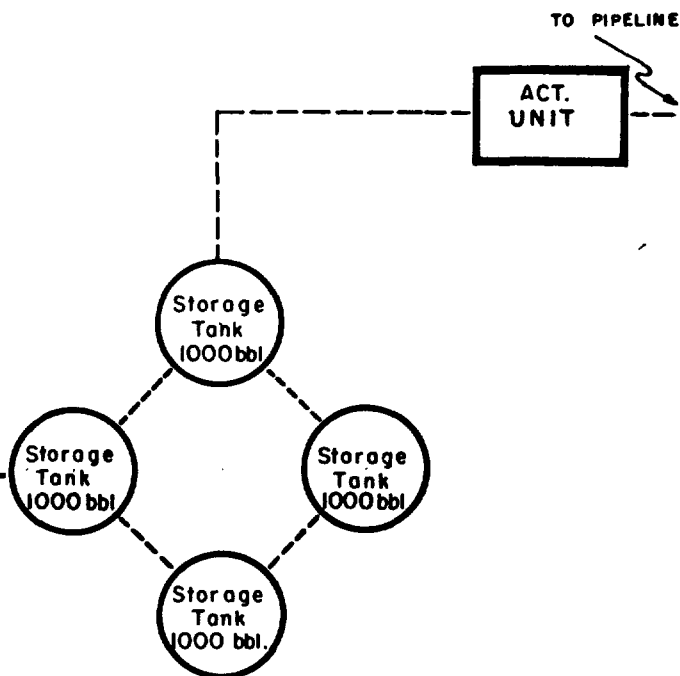
A. W. Lang
District Production Superintendent

LMR:jco





LEASE EQUIPMENT



CENTRAL BATTERY & ACT FACILITY EQUIPMENT

LEGEND:
 GM - TO GAS SALES METER
 TS - TEST SEPARATOR
 M - LEASE OIL METER
 SEP. - SEPARATORS
 TM - TEST METER

TENNECO OIL COMPANY
 SUBSIDIARY OF TENNECO CORPORATION

LUSK AREA
 LEA COUNTY, NEW MEX.

SCHEMATIC DIAGRAM
 JONES LACT FACILITY



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

April 21, 1965

Tenneco Oil Company
P. O. Box 1031
Midland, Texas 79701

Gentlemen:

Your letter of March 10, 1965, requests approval to commingle Lusk Strawn oil production into a central tank battery from the following Federal leases, Eddy and Lea Counties, New Mexico:

NM 09003	W $\frac{1}{2}$ SW $\frac{1}{4}$ sec. 13, T. 19 S., R. 31 E., NE $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 23, T. 19 S., R. 31 E.
NM 0107697	S $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$, S $\frac{1}{2}$ sec. 23, T. 19 S., R. 31 E., W $\frac{1}{2}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ sec. 24, T. 19 S., R. 31 E., All sec. 25, T. 19 S., R. 31 E., all sec. 26, T. 19 S., R. 31 E., W $\frac{1}{2}$ NW $\frac{1}{4}$ sec. 30, T. 19 S., R. 32 E.
NM 0107698	E $\frac{1}{2}$ NW $\frac{1}{4}$ sec. 30, T. 19 S., R. 32 E.
NM 0149954	NW $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 23, T. 19 S., R. 31 E.
NM 0175771	SW $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 14, T. 19 S., R. 31 E.
NM 0309377	SE $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 13, T. 19 S., R. 31 E.
NM 0309377-A	NE $\frac{1}{4}$ SW $\frac{1}{4}$ sec. 13, T. 19 S., R. 31 E.
NM 0554775	NW $\frac{1}{4}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, sec. 14, T. 19 S., R. 31 E.
LC 029358	E $\frac{1}{2}$ NE $\frac{1}{4}$ sec. 24, T. 19 S., R. 31 E.

The method of commingling described by your application and the installation and operation of ACT facilities are hereby approved. The approval for commingling does not preclude the necessity for communitization of spacing units where required.

For royalty purposes pertaining to the system, the volume of oil sales and vapor recovery gas sales will be allocated to each production unit based on the ratio of the metered production from that unit to the total metered production. The "Lessee's Monthly Report of Sales and Royalty, "Form 9-361, must show all computations used in the calculation of lease sales.

You are requested to notify the District Engineer, U. S. Geological Survey, P. O. Drawer U, Artesia, New Mexico, when the installation is completed and operative so that an inspection can be made.

Sincerely yours,

A handwritten signature in cursive script, reading "Billy J. Shoger". The signature is written in dark ink and is positioned above the printed name.

BILLY J. SHOGER
Acting Oil and Gas Supervisor



TENNECO OIL COMPANY • P. O. BOX 1031 • 1800 WILCO BUILDING • MIDLAND, TEXAS 79701

March 12, 1965

Re: Installation of ACT and
Commingling of Production
Lusk Strawn Field
Eddy and Lea Counties, New Mexico

Gentlemen:

We are enclosing a set of forms being sent to all working interest owners in various producing leases in the Lusk Strawn Field. You are lessors of record of a 40-acre tract in a 160-acre drilling unit which if drilled would probably be operated by Tenneco.

We are asking you to join us in the Operating Agreement for the Jones ACT Facility in that part known as the "Contract Area". There will be no charges or other expenses charged to you until a producing well is completed and becomes a part of the "Participating Area". However, by becoming a part of the "Contract Area" we can request approval for commingling these tracts with those of the Participating Area at this time. In this way, when a well is drilled there will be no long waiting period for the commingling request to be approved. This will eliminate the necessity of constructing a battery, even on a temporary basis, thus eliminating approximately \$8000 construction costs.

The economics of a drilling well are greatly improved with the knowledge that there will be no loss of income through trucking charges of approximately 13¢ per barrel or a long period of gas being flared. We request that you please sign the forms and return them to us as outlined on the enclosed cover letter.

Yours very truly,

TENNECO OIL COMPANY

A. W. Lang
District Production Superintendent

LMR:jo

El Paso Natural Gas Company
P.O. Box 1492
El Paso, Texas

Great Western Drilling Company
Box 1659
Midland, Texas



TENNECO OIL COMPANY • P. O. BOX 1031 • 1800 WILCO BUILDING • MIDLAND, TEXAS 79701

March 12, 1965

To All Joint Interest Owners
See List Attached

Re: Installation of ACT and
Commingling of Production
Lusk Strawn Field
Eddy and Lea Counties, N.M.

Gentlemen:

Attached are "Operating Agreement for the Jones Automatic Custody Transfer Facility" and an AFE for the construction of the Facility. Also attached, for your information, is an "Agreement to Commingle Production" to be signed by Royalty Owners of the lands included in the Operating Agreement.

These instruments are being sent to you, for your execution and return, to cover: the construction of the ACT facility; the operation of the facility; and, the commingling of production in the facility. This facility will serve the presently producing Delhi-Federal, Sweeney-Federal and the several Jones Federal leases as set out in the participating area of the Operating Agreement. It is designed to expand to include future producing wells as set out in the contract area of the Agreement.

The approval of these proposals will be advantageous to both working interest and royalty interest owners. By bringing all the production to a central point, Tenneco is obtaining a pipeline outlet at the central battery. Through the elimination of trucking charges, revenue will be raised approximately \$1000 per well per month. A vapor recovery unit, which would be uneconomical on less than a three-well battery, can be installed at the central battery. The recovery of stock tank vapors, now being lost to the air, will result in an income of approximately \$300 per well per month. This would mean that in an average month, the eleven participating wells would have a total increase in revenue of approximately \$14,300.

Table "A" details the facility expenses to be allocated to each participating lease and other investments necessary for the connection of these leases to the Central ACT. Table "B" compares the investments necessary for adequate tankage and manual gauging on each individual lease to the investments of a central battery and ACT. The central battery and ACT provides a savings of \$20,900 compared to individual lease tank batteries. This reduced investment is in addition to additional income and labor savings to be realized as shown above.

TENNECO OIL COMPANY

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March 12, 1965

Your early consideration and approval of this proposal is earnestly requested. Please fill in the required information and sign all copies of the Operating Agreement and the copy of the AFE and return them to Tenneco Oil Company, 1800 Wilco Building, Midland, Texas, 79704. Please advise the number of conformed copies you will need returned.

Yours very truly,

TENNECO OIL COMPANY

A handwritten signature in cursive script, appearing to read "A. W. Lang".

A. W. Lang
District Production Superintendent

LMR:jo

Attachments

D. H. Byrd
1110 Tower Petroleum Bldg.
Dallas, Texas

Continental Oil Company
Box 460
Hobbs, New Mexico

El Paso Natural Gas Company
P.O. Box 1492
El Paso, Texas

Great Western Drilling Company
Box 1659
Midland, Texas

Kerr-McGee Oil Industries, Inc.
Kerr-McGee Building
Oklahoma City, Oklahoma

Pan American Petroleum Corporation
Box 68
Hobbs, New Mexico

Phillips Petroleum Company
Phillips Building
Odessa, Texas

Southern New Mexico Oil Corporation
Box 1659
Midland, Texas



TENNECO OIL COMPANY • P. O. BOX 1031 • 1800 WILCO BUILDING • MIDLAND, TEXAS 79701

April 23, 1965

Re: Commingling of Production
Lusk Strawn Field
Eddy and Lea Counties, New Mexico

Gentlemen:

Attached are two copies of an "Agreement to Commingle Production" covering several leases in the Lusk Strawn Field. In one or more of these leases, you have an overriding royalty interest. These instruments are being sent to you for your execution and return.

The approval of this commingling will be advantageous to both royalty interest and working interest owners. By bringing all the production to a central point, Tenneco is obtaining a pipeline outlet at the central battery. Through the elimination of trucking charges, revenue will be raised approximately \$1000 per well per month. A vapor recovery unit, which is uneconomical on less than a three-well battery, can be installed at the central battery. The recovery of stock tank vapors, now being lost to the air, will result in a gross lease income of approximately \$300 per well per month.

Your early consideration and approval of this commingling is earnestly requested. Please execute the two copies of the Commingling Agreement and return them to Tenneco Oil Company, 1800 Wilco Building, Midland, Texas, 79704. We will return you a fully executed copy of the Agreement when all parties have signed.

Yours very truly,

TENNECO OIL COMPANY

A. W. Lang
District Production Superintendent

LMR:jco

Mr. and Mrs. Don Angle
510 West Texas
Artesia, New Mexico

Martha C. Byrd
1110 Tower Petroleum Bldg.
Dallas, Texas

Mr. and Mrs. Homer E. Dickes
510 West Texas
Artesia, New Mexico

Mr. and Mrs. Thomas L. Dozier
410 Sosaya Lane
Santa Fe, New Mexico

Juretta L. English
1801 Knudsen Avenue
Farmington, New Mexico

Leroy English
Box 577
Farmington, New Mexico

Ruby English, Estate
652 Fifth Avenue
Durango, Colorado

Mr. and Mrs. B. R. Gorman
Box 871
Artesia, New Mexico

Sadie C. Jones
5001 6th Avenue North
St. Petersburg, Florida

J. M. Kackley and
J. H. Morris, Trustees
First National Bldg.
Tulsa, Oklahoma

Marathon Oil Company
Box 552
Midland, Texas

Mr. and Mrs. H. N. Sweeney
Box 1582
Roswell, New Mexico

Yates Drilling Company
Mr. and Mrs. Marvin Yates III, and
Mr. and Mrs. S. P. Yates
309 Carper Bldg.
Artesia, New Mexico

Evelyn Ann Woods
Route 1, Box 1
Farmington, New Mexico

TEXAS-NEW MEXICO PIPE LINE COMPANY

P. A. LYONS
DIVISION MANAGER

P. O. BOX 1510
MIDLAND, TEXAS 79701

March 22, 1955

New Mexico Oil Conservation Commission
P. O. Box 371
Santa Fe, New Mexico

Gentlemen:

We have received a letter from Tenneco Oil Company notifying us that they plan to commingle production into a central battery from the following leases:

Sweeney Federal Lease (NM 0309377-A, NM 09003, and NM 0309377)
Being the SW/4 of Section 13, T-19-S, R-31-E
Jones Federal Lease (NM 0107697)
Being the SW/4 of Section 23, NE/4 and SW/4 of Section 25,
NE/4 and SW/4 of Section 26, all in T-19-S, R-31-E
Jones Federal "B" Lease (NM 0107697)
Being the SE/4 of Section 23, NW/4 and SE/4 of Section 25,
NW/4 and SE/4 of Section 26, all in T-19-S, R-31-E
Jones Federal "C" Lease (NM 0107697)
Being the SW/4 of Section 24, T-19-S, R-31-E
Jones Federal "D" Lease (NM 0107697)
Being the NW/4 of Section 24, T-19-S, R-31-E
Jones Federal "E" Lease (NM 0107697)
Being the NE/4 of Section 23, T-19-S, R-31-E
Jones Federal Unit (NM 0107697 and LC 029353)
Being the NE 4 of Section 24, T-19-S, R-31-E
Delhi-Federal Lease (NM 0107697, LC 029353, and NM 0107698)
Being the NW/4 of Section 30, T-19-S, R-31-E

In addition to the above tracts, they also plan to commingle the following properties, after production is established:

Dozier Federal Lease (NM 0554775 and NM 0173771)
Being the SW/4 of Section 14, T-19-S, R-31-E, Eddy County
Jones Federal Unit "A" (NM 0107697, NM 0149154, and NM 09003)
Being the NW/4 of Section 23, T-19-S, R-31-E, Eddy County

Texas-New Mexico Pipe Line Company will run the oil from the central battery, and concurs with the producer's application to commingle these leases.

Very truly yours,

TEXAS-NEW MEXICO PIPE LINE COMPANY

BY:

P. A. Lyons
P. A. Lyons
Division Manager

LRS-1112

Table No. 1

Division of Lease Ownership

Jones Federal Lease, SW/4 of Section 23, NE/4 and SW/4 of Section 25, NE/4 and SW/4 of Section 26, all in T-19-S, R-31-E, Eddy County, New Mexico

Tenneco Oil Company	.427500	WI
Continental Oil Company	.427500	WI
United States Geological Survey	.125000	RI
Martin Yates III & S. P. Yates	.020000	ORRI

Jones Federal "B" Lease, SE/4 of Section 23, NW/4 and SE/4 of Section 25, NW/4 and SE/4 of Section 26, all in T-19-S, R-31-E, Eddy County, New Mexico.

Tenneco Oil Company	.412500	WI
Continental Oil Company	.412500	WI
United States Geological Survey	.125000	RI
Marathon Oil Company	.030000	ORRI
Martin Yates III & S. P. Yates	.020000	ORRI

Jones Federal "C" Lease, SW/4 of Section 24, T-19-S, R-31-E, Eddy County, New Mexico

Tenneco Oil Company	.420664*	WI
Continental Oil Company	.420664*	WI
United States Geological Survey	.125000*	RI
Martin Yates III & S. P. Yates	.020000	ORRI
Ruby English	.008544	ORRI
Leroy English	.001709	ORRI
Evelyn Ann Woods	.000427	ORRI
Patricia Eileen Peck & guardian Evelyn Ann Woods	.000641	ORRI
Evelyn Ann English & guardian Evelyn Ann Woods	.000641	ORRI
Stanley G. English & mother, Juretta L. English	.000570	ORRI
William B. English & mother, Juretta L. English	.000570	ORRI
J. Kathleen English & mother, Juretta L. English	.000570	ORRI

*Subject to sliding scale royalty of 12.5% to 32%.

Jones Federal "D" Lease, NW/4 of Section 24, T-19-S, R-31-E, Eddy County, New Mexico

Tenneco Oil Company	.412500*	WI
Continental Oil Company	.412500*	WI
United States Geological Survey	.125000*	RI
Marathon Oil Company	.030000	ORRI
Martin Yates III & S.P. Yates	.020000	ORRI

*Subject to sliding scale royalty of 12.5% to 32%.

Jones Federal "E" Lease, NE/4 of Section 23, T-19-S, R-31-E, Eddy County,
New Mexico

Tenneco Oil Company	.320625	WI
Continental Oil Company	.320625	WI
D. H. Byrd	.213750	WI
United States Geological Survey	.125000	RI
Martin Yates III & S.P.Yates	.020000	ORRI

Jones Federal Unit, NE/4 of Section 24, T-19-S, R-31-E, Eddy County,
New Mexico

Tenneco Oil Company	.206250*	WI
Continental Oil Company	.206250*	WI
Southern New Mexico Oil Corporation for Lusk Deep Unit	.437500	WI & ORRI
United States Geological Survey	.125000*	RI
Marathon Oil Company	.015000	ORRI
Martin Yates III & S. P. Yates	.010000	ORRI

*Subject to sliding scale royalty of 12.5% to 32% on the W/2 of the NE/4.

Sweeney Federal Lease, SW/4 of Section 13, T-19-S, R-31-E, Eddy County,
New Mexico

Tenneco Oil Company	.543750	WI
Continental Oil Company	.103125	WI
Pan American Petroleum Corporation	.103125	WI
United States Geological Survey	.125000	RI
H. N. Sweeney and Barbara B. Sweeney	.012500	ORRI
Don Engle and Homer E. Dickes	.037500	ORRI
Elsie G. Gorman	.025000	ORRI
H. N. Sweeney and Barbara B. Sweeney	.025000*	PPI
Elsie G. Gorman	.025000#	PPI

*Production payment of \$80,000 reverting to Tenneco Oil Company upon
final payment.

#Production payment of \$40,000 reverting 1/2 to Tenneco Oil Company, 1/4
to Continental Oil Company and 1/4 to Pan American Petroleum Corporation
upon final payment.

Delhi-Federal Lease, NW/4 of Section 30, T-19-S, R-32-E, Lea County, New Mexico

Tenneco Oil Company	.208191	WI
Continental Oil Company	.208191	WI
Phillips Petroleum Company	.216692	WI
Kerr-McGee Oil Industries, Inc.	.216691	WI
United States Geological Survey	.125000	RI
Marathon Oil Company	.015141	ORRI
Martin Yates III & S. P. Yates	.010094	ORRI

Jones Federal Unit "A", NW/4 of Section 23, T-19-S, R-31-E, Eddy County,
New Mexico

Tenneco Oil Company	.308125	WI
Continental Oil Company	.308125	WI
Great Western Drilling Company	.218750	WI
United States Geological Survey	.125000	RI
Marathon Oil Company	.005000	ORRI
Martin Yates III & S. P. Yates	.010000	ORRI
Elsie G. Gorman and B. R. Gorman	.012500	ORRI
Don Angle and Homer E. Dickes	.012500	ORRI

Dozier Federal Lease, SW/4 of Section 14, T-19-S, R-31-E, Eddy County,
New Mexico

Tenneco Oil Company	.618750	WI
El Paso Natural Gas Company	.218750	WI
United States Geological Survey	.125000	RI
Thomas L. Dozier & Doris Dozier	.037500	ORRI

No. 098178

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
Mr. & Mrs. Don Angle		
STREET AND NO.		
510 W. Texas		
CITY, STATE, AND ZIP CODE		
Artesia, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED		

No. 098155

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
Mr. and Mrs. Homer E. Dickes		
STREET AND NO.		
510 West Texas		
CITY, STATE, AND ZIP CODE		
Artesia, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED		

No. 098156

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
Mr. and Mrs. Thomas L. Dozier		
STREET AND NO.		
410 Sosaya Lane		
CITY, STATE, AND ZIP CODE		
Santa Fe, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED		

No. 098157

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
Juretta L. English		
STREET AND NO.		
1801 Knudsen Avenue		
CITY, STATE, AND ZIP CODE		
Farmington, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED July 1963 NOT FOR INTERNATIONAL MAIL		

No. 098158

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Leroy English		
STREET AND NO.		
Box 577		
CITY, STATE, AND ZIP CODE		
Farmington, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED		

No. 098159

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Ruby English, Estate		
STREET AND NO.		
652 Fifth Avenue		
CITY, STATE, AND ZIP CODE		
Durango, Colorado		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED		

No. 098160

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Mr. & Mrs. B. R. Gorman		
STREET AND NO.		
Box 871		
CITY, STATE, AND ZIP CODE		
Artesia, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED		

No. 098161

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Sadie C. Jones		
STREET AND NO.		
5001 6th Avenue North		
CITY, STATE, AND ZIP CODE		
St. Petersburg, Florida		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		
POD Form 3800 NO INSURANCE COVERAGE PROVIDED July 1963 NOT FOR INTERNATIONAL MAIL		(See other side)

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO J.M.Kackley & J.H.Morris, Trustees,		POSTMARK OR DATE
STREET AND NO. First National Bldg.		
CITY, STATE, AND ZIP CODE Tulsa, Okla.		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered		If you want delivery to addressee, check here <input type="checkbox"/> 50¢
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO Marathon Oil Co.		POSTMARK OR DATE
STREET AND NO. Box 552		
CITY, STATE, AND ZIP CODE Midland, Texas		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered		If you want delivery to addressee, check here <input type="checkbox"/> 50¢
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO Mr. & Mrs. H.N. Sweeney		POSTMARK OR DATE
STREET AND NO. Box 1582		
CITY, STATE, AND ZIP CODE Roswell, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered		If you want delivery to addressee, check here <input type="checkbox"/> 50¢
FEES ADDITIONAL TO 20¢ FEE		

POD Form 3800 July 1963 **NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL** (See other side)

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO Evelyn Ann Woods		POSTMARK OR DATE
STREET AND NO. Route 1, Box 1		
CITY, STATE, AND ZIP CODE AFARMINGTON, NEW MEXICO		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered		If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee
FEES ADDITIONAL TO 20¢ FEE		

POD Form 3800 NO INSURANCE COVERAGE PROVIDED

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO YATES DRILLING CO.		POSTMARK OR DATE
STREET AND NO. 309 Carper Bldg.		
CITY, STATE, AND ZIP CODE Artesia, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered		If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee
FEES ADDITIONAL TO 20¢ FEE		

POD Form 3800 July 1963 **NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL** (See other side)

No. 098162

No. 098163

No. 098164

No. 098166

No. 098165

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
D. H. Byrd		
STREET AND NO.		
1110 Tower Petroleum Bldg.		
CITY, STATE, AND ZIP CODE		
Dallas, Texas		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
Continental Oil Company		
STREET AND NO.		
Box 460		
CITY, STATE, AND ZIP CODE		
Hobbs, New Mexico		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
El Paso Natural Gas Co.		
STREET AND NO.		
P.O. Box 1492		
CITY, STATE, AND ZIP CODE		
El Paso, Texas		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		
Great Western Drilling Co.		
STREET AND NO.		
Box 1659		
CITY, STATE, AND ZIP CODE		
Midland, Texas		
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

POD Form 3800 July 1963 NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Kerr-McGee Oil Industries, Inc.		
STREET AND NO.		
Kerr-McGee Bldg.		
CITY, STATE, AND ZIP CODE		
Oklahoma City, Okla.		POSTMARK OR DATE
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Pan American Petroleum Corp.		
STREET AND NO.		
Box 68		
CITY, STATE, AND ZIP CODE		
Hobbs, New Mexico		POSTMARK OR DATE
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Phillips Petroleum Company		
STREET AND NO.		
Phillips Bldg.		
CITY, STATE, AND ZIP CODE		
Odessa, Texas		POSTMARK OR DATE
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

RECEIPT FOR CERTIFIED MAIL—20¢

SENT TO		POSTMARK OR DATE
Southern New Mexico Oil Corp.		
STREET AND NO.		
Box 1659		
CITY, STATE, AND ZIP CODE		
Midland, Texas		POSTMARK OR DATE
If you want a return receipt, check which <input type="checkbox"/> 10¢ shows to whom and when delivered <input type="checkbox"/> 35¢ shows to whom, when, and address where delivered If you want delivery only to addressee, check here <input type="checkbox"/> 50¢ fee		
FEES ADDITIONAL TO 20¢ FEE		

POD Form 3800 July 1963 NO INSURANCE COVERAGE PROVIDED— (See other side) NOT FOR INTERNATIONAL MAIL

No. 098143

No. 098144

No. 098145

No. 098146

No. 098149

No. 098150

No. 098151

No. 098152

AGREEMENT TO COMMINGLE PRODUCTION

THIS AGREEMENT, made and entered into this 10th day of March, 1965, by and between Tenneco Oil Company, a Delaware corporation, whose address is Fourth Floor, 201 Wall Building, Midland, Texas, hereinafter sometimes referred to as "Operator", and the other undersigned parties, hereinafter sometimes referred to as "Royalty Owners".

W I T N E S S E T H, T H A T:

WHEREAS, pursuant to an agreement dated the 10th day of March, 1965, made and entered into by and between Operator and the other owners of certain leasehold estates in and to the lands described in Exhibit "A", Operator was designated the Operator of said leases and lands insofar as the same cover and apply to the oil and associated liquid hydrocarbons producible from the Strawn Formation underlying the lands described in said Exhibit; and

WHEREAS, Royalty Owners are the owners of royalty, overriding royalty or other interests in the oil and associated liquid hydrocarbons which may be in or producible from the Strawn Formation underlying the lands described in Exhibit "A"; and

WHEREAS, it is the desire of the parties hereto that Operator shall have the right to meter all oil and associated liquid hydrocarbons produced from the Strawn Formation underlying the lands described in Exhibit "A", through wells operated by Operator on said lands, into a common tank or into common tanks in order to more efficiently handle such production with a minimum loss thereof and to secure the benefits that may result from such operations.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter contained and for the benefits to be derived therefrom, the parties hereto do hereby covenant, contract and agree as follows:

I.

As used in this agreement, the terms herein contained shall have the following meaning:

A. Tract - shall mean that spacing or proration unit prescribed by the New Mexico Oil Conservation Commission for the production of oil and associated liquid hydrocarbons from the Strawn Formation underlying the lands described in the Schedule of Leases which is attached hereto, marked Exhibit "A" and made a part hereof.

B. Commingled Substances - shall mean oil and associated liquid hydrocarbons which may be produced from any Tract subject to this agreement and delivered into any common tank or tanks pursuant to the terms hereof.

II.

The parties hereto do hereby give and grant Operator the right to commingle all Commingled Substances which are produced from all Tracts subject hereto into a common tank or common tanks. All Commingled Substances shall be metered by the means of a positive displacement meter prior to delivering such Commingled Substances into said tank or tanks.

III.

Operator agrees to keep accurate records of all Commingled Substances metered from each Tract and delivered into any common tank or tanks pursuant to this agreement. Operator further agrees to keep accurate records of all Commingled Substances sold and all Commingled Substances remaining on hand after each sale.

IV.

For the purpose of calculating the amount of Commingled Substances attributable to each Tract and commingled into any common tank or tanks hereunder, each Tract will be given credit for all Commingled Substances sold from the common tank or tanks in the proportion that the amount of Commingled Substances metered from each Tract bears to the total amount of all Commingled Substances metered from all Tracts hereunder and delivered into the common tank or tanks. All Commingled Substances so metered shall be corrected for basic sediment and water content. Any difference in the amount of Commingled Substances metered hereunder and the amount thereof on hand at the time of sale resulting from shrinkage or vapor loss shall be deducted proportionately from the amount of Commingled Substances attributable to each Tract. Any Commingled Substances remaining in the tank or tanks after any sale shall be attributed to each Tract in the same proportion and any future allocation or sale of Commingled Substances shall be adjusted to give effect to Commingled Substances remaining on and after the immediately preceding sale.

V.

The Commingled Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this agreement not been entered into, with the same legal effect.

VI.

Neither this agreement nor anything contained herein shall constitute the relationship of an agency, partnership, joint venture or any other such entity, whether herein enumerated or otherwise, nor shall this agreement be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Commingled Substances.

VII.

This agreement may be executed in any number of counterparts with the same force and effect as if all parties hereto had executed one and the same instrument and shall be binding upon all parties who execute this agreement, regardless of whether all parties hereto execute the same.

VIII.

The terms, provisions and conditions hereof shall be deemed to be covenants running with the lands and leases described in Exhibit "A" and shall be binding upon the parties hereto, their respective heirs, administrators, executors, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written, but effective as of the effective date of the aforesaid Operating Agreement dated the 16th day of March, 1965.

TENNECO OIL COMPANY

By C. M. Hamell
Agent and Attorney-in-Fact

"OPERATOR"

Don Angle

 wife of Don Angle Angle,

Martha C. Byrd,
wife of D. H. Byrd

Grover R. Castle, Trustee

ATTEST:

CHEMICAL BANK NEW YORK TRUST COMPANY

Secretary

By _____ President

Homer E. Dickes

Dickes,
wife of Homer E. Dickes

Thomas L. Dozier

Doris Dozier
wife of Thomas L. Dozier

ATTEST:

DRAKE CORPORATION

Secretary

President

1997

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FORM APPROVED

Don Angle

Martha C. Byrd
Martha C. Byrd,
wife of D. H. Byrd

ATTEST:

Secretary

Homer E. Dickes

Thomas L. Dozier

ATTEST:

By _____ President

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

100

FORM
APPROVED

Don Angle

Martha C. Byrd,
wife of D. H. Byrd

ATTEST:

CHEMICAL BANK NEW YORK TRUST COMPANY

Edmund Manning
Assistant Secretary

Homer E. Dickes

Thomas L. Dozier

Doris Dozier
wife of Thomas L. Dozier

ATTEST:

DRAKE CORPORATION

By _____ President

1997

• • • • •

FORM APPROVED

Don Angle

Martha C. Byrd,
wife of D. H. Byrd

ATTEST:

CHEMICAL BANK NEW YORK TRUST COMPANY

Secretary

By _____
President

Homer E. Dickes

Dickes,
wife of Homer E. Dickes

Thomas L. Dozier

Doris Dozier
wife of Thomas L. Dozier

ATTEST:

DRAKE CORPORATION

Secretary

By John H. Kennedy
President

Juretta L. English, as Guardian
for Stanley G. English, William D.
English and J. Kathleen English,
all minors

Leroy English

Ruby English, a widow

B. R. Gorman

Elsie G. Gorman,
wife of B. R. Gorman

Sadie C. Jones, a widow

J. M. Kackley, Trustee

J. H. Morris, Trustee
Surviving Trustees in Liquidation
for the Stockholders of Buffalo
Oil Company

ATTEST:


MARATHON OIL COMPANY

Secretary

By _____
President

ATTEST:

NEW YORK LIFE INSURANCE COMPANY


Assistant Secretary

By 
SECOND VICE President

H. N. Sweeney

Barbara B. Sweeney,
wife of H. N. Sweeney

ATTEST:

YATES DRILLING COMPANY

Secretary

By _____
President

Martin Yates, III

Yates,
wife of Martin Yates, III

S. P. Yates

Yates,
wife of S. P. Yates

Evelyn Ann Woods, a widow

Evelyn Ann Woods, as Guardian for
Evelyn Ann English and Patricia
Eileen Peck, both minors

"ROYALTY OWNERS"

EXHIBIT "A"

Attached to and made a part of that certain
Agreement to Commingle Production dated the
16th day of March, 1965.

SCHEDULE OF LEASES

Lease No. 1:

Lessor:	United States of America
Lessee of Record:	H. N. Sweeney
Lease Committed By:	Tenneco Oil Company
Serial Number of Lease:	NM 0309377-A (formerly NM 09003)
Date of Lease:	April 1, 1953
Description of Lands Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 13: NE/4 SW/4</u>
Number of Acres:	40

Lease No. 2:

Lessor:	United States of America
Lessee of Record:	Elsie G. Gorman
Lease Committed By:	Tenneco Oil Company
Serial Number of Lease:	NM 09003
Date of Lease:	April 1, 1953
Description of Lands Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 13: W/2 SW/4</u>
Number of Acres:	80

Lease No. 3:

Lessor:	United States of America
Lessees of Record:	Pan American Petroleum Corporation and Continental Oil Company
Lease Committed By:	Pan American Petroleum Corporation and Continental Oil Company
Serial Number of Lease:	NM 0309377 (formerly NM 09003)
Date of Lease:	April 1, 1953
Description of Lands Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 13: SE/4 SW/4</u>
Number of Acres:	40

Lease No. 4:

Lessor:	United States of America
Lessee of Record:	Thomas L. Dozier
Lease Committed By:	Tenneco Oil Company
Serial Number of Lease:	NM 0554775
Date of Lease:	September 1, 1964
Description of Lands Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 14: N/2 SW/4, SE/4 SW/4</u>
Number of Acres:	120

Lease No. 5:

Lessor:	United States of America
Lessee of Record:	El Paso Natural Gas Company
Lease Committed By:	El Paso Natural Gas Company
Serial Number of Lease:	NM 0175771
Date of Lease:	July 1, 1961
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 14: SW/4 SW/4</u>
Number of Acres:	40

Lease No. 6:

Lessor:	United States of America
Lessee of Record:	Great Western Drilling Company
Lease Committed By:	Great Western Drilling Company
Serial Number of Lease:	NM 0149954
Date of Lease:	March 1, 1961
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: NW/4 NW/4</u>
Number of Acres:	40

Lease No. 7:

Lessor:	United States of America
Lessees of Record:	Homer E. Dickes and Don Angle
Lease Committed By:	Tenneco Oil Company and Continental Oil Company
Serial Number of Lease:	NM 09003
Date of Lease:	April 1, 1953
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: NE/4 NW/4</u>
Number of Acres:	40

Lease No. 8:

Lessor:	United States of America
Lessees of Record:	Tenneco Oil Company, Continental Oil Company and D. H. Byrd
Lease Committed By:	Tenneco Oil Company, Continental Oil Company and D. H. Byrd
Serial Number of Lease:	NM 0107697 (formerly LC 029358)
Date of Lease:	January 1, 1940
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: W/2 NE/4</u>
Number of Acres:	80

Lease No. 9

Lessor:	United States of America
Lessees of Record:	Tenneco Oil Company and Continental Oil Company
Lease Committed By:	Tenneco Oil Company and Continental Oil Company
Serial Number of Lease:	NM 0107697 (formerly LC 029358)

Lease No. 9 (Continued):

Date of Lease:	January 1, 1940
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: E/2 NE/4, SE/4, SW/4,</u> <u>S/2 NW/4</u> Section 24: W/2, W/2 NE/4 Section 25: All Section 26: All <u>Township 19 South, Range 32 East</u> <u>Section 30: Lots 1 and 2 (W/2 NW/4)</u>
Number of Acres:	2241.52

Lease No. 10:

Lessor:	United States of America
Lessee of Record:	Sadie C. Jones
Lease Committed By:	Southern New Mexico Oil Corporation
Serial Number of Lease:	LC 029358
Date of Lease:	January 1, 1940
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 24: E/2 NE/4</u>
Number of Acres:	80

Lease No. 11:

Lessor:	United States of America
Lessees of Record:	Phillips Petroleum Company and Kerr-McGee Oil Industries, Inc.
Lease Committed By:	Phillips Petroleum Company and Kerr-McGee Oil Industries, Inc.
Serial Number of Lease:	NM 0107698
Date of Lease:	August 1, 1951
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 32 East</u> <u>Section 30: E/2 NW/4</u>
Number of Acres:	80

All in Lea and Eddy Counties, New Mexico.

OPERATING AGREEMENT
FOR THE
JONES AUTOMATIC CUSTODY TRANSFER FACILITY

THIS AGREEMENT, made and entered into this 11th day of March, 1965, by and between Tenneco Oil Company, a Delaware corporation, whose address is Fourth Floor, 201 Wall Building, Midland, Texas, hereinafter sometimes referred to as "Operator", and D. H. Byrd, an Individual, whose address is _____, Continental Oil Company, a Delaware corporation, whose address is _____, El Paso Natural Gas Company, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas, Great Western Drilling Company, a _____ corporation, whose address is _____, Kerr-McGee Oil Industries, Inc., a _____ corporation, whose address is _____, Pan American Petroleum Corporation, a Delaware corporation, whose address is _____, Phillips Petroleum Company, a _____ corporation, whose address is _____, and Southern New Mexico Oil Corporation, a _____ corporation, whose address is _____, hereinafter collectively referred to as "Non-Operator".

W I T N E S S E T H, T H A T:

WHEREAS, the parties hereto own certain interests in and to oil and gas leases covering the lands described in Exhibit "A"; and

WHEREAS, in order to promote conservation and to prevent waste, the parties hereto desire to provide for a method of allocating certain costs and expenses which may have been and which may hereafter be incurred in acquiring, constructing, installing, maintaining, and operating an automatic custody transfer facility for the measuring of oil and associated liquid hydrocarbons which may be produced from the Strawn Formation underlying the lands subject to this agreement and to provide for the ownership of such facility and all material and equipment necessary for the operation thereof.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements hereinafter contained and for the benefits to be derived therefrom, the parties hereto do hereby covenant, contract and agree as follows:

I.

Definitions

As used in this agreement, the following definitions shall apply:

A. Party - shall mean any company, partnership, corporation or individual executing this agreement, a counterpart thereof, or agreeing to be bound by the terms of this agreement. All references to any party shall be in the neuter gender, whether such party is a company, partnership, corporation or an individual, either male or female.

B. Parties - shall mean any combination of two or more companies, corporations, partnerships or individuals defined as a party hereinabove.

C. Operator - shall mean Tenneco Oil Company, acting in such capacity and any Party who assumes the duties of the Operator under the terms and provisions of this agreement.

D. Non-Operator - shall mean all Parties, except Operator, and may be referred to in the singular or in the plural.

E. Facility - shall mean and refer to the automatic control transfer facility which is constructed, installed and operated pursuant to this agreement together with all lines, tanks, measuring devices, separators not serving any one particular Tract only, and all other material, equipment, rights of way, easements and properties owned by the Parties or acquired hereunder.

F. Contract Area - shall mean the Strawn Formation underlying the area described in the exhibit which is attached hereto, marked Exhibit "A", and made a part hereof for all purposes herein or any revision of said Exhibit.

G. Participating Area - shall mean the Strawn Formation underlying the area described on the exhibit which is attached hereto, marked Exhibit "B" and made a part hereof for all purposes herein, or any revision of said Exhibit.

H. Strawn Formation - shall be that formation, zone, strata or horizon underlying the Contract Area as identified on the Gamma Ray-Sonic log of that certain well known as the Tenneco Oil Company, et al, Jones Federal "B" Well No. 3, located 660 feet from the South and East Lines of Section 23, Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, between the subsurface depths of 11,290 feet and 11,505 feet total depth.

I. Operated Substances - shall mean all oil and associated liquid hydrocarbons which may be in or producible from the Strawn Formation.

J. Tract - any tract of land described on Exhibit "B".

K. Committed Well - shall mean one or more of the following:

1. Any well within the Contract Area capable of producing Operated Substances and not plugged or temporarily abandoned; or
2. All wells completed in the Strawn Formation and connected to a tank battery or metering device which is connected to the Facility.

II.

Interest of the Parties

The interest of each Party hereunder shall be determined by multiplying each Party's respective interest in any Committed Well within the Participating Area or the latest revision thereof. The interest of such Parties is set forth on the exhibit which is attached hereto, marked Exhibit "C" and made a part hereof for all purposes herein. In the event any additional Party executes this agreement or the Participating Area is enlarged or contracted, the interests of the Parties shall be adjusted accordingly and Exhibits "A", "B", and "C" shall be revised effective as of the effective date of any revision of the Participating Area or the effective date of the commitment of the interest of any additional Party, whichever is applicable.

III.

Operator

A. Tenneco Oil Company is hereby designated the Operator of all operations contemplated by this agreement.

B. Operator shall have the exclusive right to conduct all operations provided for herein. Operator shall conduct operations under this agreement in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Operator shall freely consult with the Non-Operators and keep them informed of all matters which Operator, in the exercise of its best judgment, considers important. Operator shall not be liable to Non-Operators for damages unless such damages result from Operator's gross negligence or wilful misconduct.

C. Operator shall be in direct charge and have direct supervision of the actual construction, installation, maintenance and operation of the Facility.

IV.

Commitment of Interests and Wells

A. Each Party does hereby commit hereto each and all of its interests in the Contract Area and all Committed Wells within the Participating Area. Upon any expansion of the Contract Area, the owners of any oil and gas lease or interests therein within such expanded area may become a Party hereto by agreeing, in writing, to commit such Party's interest in said leases and all such Party's Committed Wells located in the Participating Area, to this agreement.

B. No oil and gas lease or any part thereof shall be included within the Contract Area or be made subject to the provisions of this agreement unless the owners of the entire working interest under such lease become Parties to this agreement or the Parties who have committed their interests in any such lease in which there is not 100% of working interest committed to this agreement join in the request for the inclusion of such lease in the Contract Area and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Parties in the Contract Area from and against all claims and demands that may be made by the owners of the working interest who are not Parties to this agreement and which arise out of the inclusion of such lease within the Contract Area.

C. Each Party represents and warrants that it is the owner of the respective interest committed hereto by such Party and does hereby agree and indemnify to hold harmless the other Parties from any claim, demand, loss, liability or litigation of whatsoever kind, character or nature arising out of or resulting from any interest or well committed hereto by such Party.

V.

The Facility

A. The Parties agree to construct, place in operation and maintain all necessary facilities for the automatic custody transfer and metering or measuring of all Operated Substances. The Facility shall consist of such material, equipment and installations and other properties as may be approved by the Parties.

B. The details of the design specifications of the Facility shall be approved by the Parties in writing. The Parties shall approve any contract or contracts for the construction and the installation of the Facility and shall authorize the construction and installation of the Facility by Operator. The actual construction work shall be controlled and directed by the Operator. All contracts executed for construction and installation of the Facility may be executed by Operator, in the capacity of Operator, for and on behalf of the Parties and not otherwise.

C. Each Tract shall be provided with adequate and accurate devices for the metering and measuring of Operated Substances produced from Committed Wells. All metering and measuring devices shall be approved by the Operator but shall be acquired, owned and maintained at the sole cost and expense of the Party or Parties owning the same. The Facility will begin at each metering device approved by the Operator. The Party or Parties owning a Tract will solely bear and pay all expenses incident to the connecting of such Tract to the Facility. Nothing contained herein shall be deemed to prevent the Party or Parties owning one or more Tracts from metering production of Operated Substances from one or more Tracts through one metering or measuring device.

VI.

Title to and Ownership of the Facility

A. All Committed Wells and other equipment necessary to produce and store Operated Substances from such wells shall be owned by the Parties committing such wells.

B. All equipment, material and other property beyond the metering device for each Tract, the automatic custody transfer equipment acquired pursuant to the terms of this agreement, all vapor recovery equipment and crude stabilizing or treating equipment and any other material and equipment necessary to operate the Facility, together with all rights of way, easements for the installation and for the operation of the Facility and all licenses and permits required hereunder shall be acquired in the name of Operator as Trustee for the Parties. Each Party hereby grants to Operator, as Trustee, all rights of way, easements, licenses and permits to the extent of each Party's right to do so. Operator shall hold such properties, as Trustee, for the use and benefit of the Parties in the proportion that each Party's interest in the Facility bears to the total of all such interest in the Facility. All costs and expenses incurred by Operator in the acquisition of any and all of such properties shall be charged to the Total Investment Account.

C. The title to any property which is acquired by Operator or any successor Operator as Trustee shall automatically vest in and pass to the successor Operator in the event Operator or any successor Operator resigns or is removed or for any other reason ceases to perform its duties hereunder and in such event, Operator or any successor Operator shall execute here and deliver to its successor such documents and other evidence of title as may be necessary to effect such transfer of title and possession.

D. Nothing contained herein shall be construed to result in the transfer of title to any oil and gas lease or Operated Substances by any Party to any other Party or to Operator.

VII.

Total Investment Account

A. All charges, credits and accounting for all costs and expenses incurred in connection with or incidental to the construction and installation of the Facility shall be in accordance with the Accounting Procedure attached hereto, marked Exhibit "D" and made a part hereof for all purposes. In the event of any conflict between the terms of Exhibit "D" and the terms of this agreement, the terms of this agreement shall govern.

B. Operator shall keep the Total Investment Account, which shall consist of the total of all sums received from the Parties for the construction and installation of the Facility and any and all additions thereto less all refunds resulting from any sales provided for hereinbelow. Said account shall represent the total of the investment cost of the Facility and each Party shall own an undivided interest in such account and the Facility in proportion that it has contributed thereto less any credits received by any such Party.

C. In making disbursements of any refund from the Total Investment Account, Operator may deduct from any sum payable to any Party any and all amounts due and owing to Operator under this agreement by such Party.

D. All charges to the Total Investment Account shall be the actual cost of all material, equipment and other property acquired hereunder.

E. All investment costs shall be borne and paid by the Parties in the proportion of each Party's interest in the Participating Area at the time that such costs are incurred; provided, however, that initial investment costs of the Facility shall be borne and paid by the Parties in proportion to their respective interests in the Initial Participating Area.

VIII.

Designation of Representatives

Each Party shall, in writing, inform the Operator of the names and addresses of the representative and alternate who are authorized to represent and bind each Party with respect to operations under this agreement. The representative or alternate may be changed from time to time by written notice to Operator.

IX.

Meetings

A. All meetings of the Parties shall be called by Operator upon its own motion or at the request of one or more Party or Parties having a total interest in the current Participating Area of not less than ten percent (10%). No meeting shall be called on less than seven (7) days advance written notice. An agenda for any meeting shall be attached to each notice.

B. The Parties who attend the meeting shall not be prevented from amending items included on the agenda or from deciding on any amended item or other items presented at the meeting. The representative of Operator shall be the chairman of each meeting.

C. Each Party shall have a voting interest equal to its current interest in the Participating Area or the latest revision thereof.

D. Unless otherwise provided herein, all matters affecting operations hereunder shall be decided by an affirmative vote of sixty-five percent (65%) or more voting interest; provided, however, should any Party have more than sixty-five percent (65%) voting interest, its vote must be supported by the vote of one (1) or more other Party or Parties having a combined voting interest of at least five percent (5%).

E. Any Party who is not represented at a meeting may vote by letter or telegram addressed to the representative of Operator if such Party's vote is received prior to the vote on the item.

F. The Parties may vote on and decide, by letter or telegram, any matter submitted in writing to the Parties, if no meeting is requested as provided in Paragraph A of this Article IX, within seven (7) days after the proposal is presented to each Non-Operator. Operator will give prompt notice of the result of the voting to each Non-Operator.

X.

Operation of the Facility

A. Operator shall endeavor to keep the Facility free from all liens and encumbrances occasioned by operations under this agreement except the lien granted to Operator hereunder.

B. The number of employees necessary to operate the Facility and the selection of such employees shall be determined by Operator. Such employees shall be the employees of Operator.

C. Operator shall keep correct books, accounts and records of all operations conducted hereunder.

D. Operator shall furnish to Non-Operator periodic reports of operations conducted pursuant to this agreement.

E. The Parties agree that they will each dispose of all water and other deleterious substances produced from their Committed Wells through facilities provided at the sole risk, cost and expense of such Parties.

F. The Parties agree to take every precaution on their respective Tracts to deliver the Operated Substances to the Facility free and clear, as nearly as possible, from any solid matter, basic sediment or other deleterious substances. The Parties further agree that Operator or its representative or other proper official may at all times have access to all tracts within the Contract Area to inspect the condition of such tracts. Each Party further agrees that it will immediately at its sole cost and expense, conform to any reasonable request of Operator or its representative, for the correction of any objectionable condition. If the request of the Operator, or its representative, is not complied with within a reasonable time, Operator shall have the right to go upon any such tract and to remedy the objectionable condition charging the offending Party the actual cost of the repair or alterations and such work shall be performed at the sole risk of such Party.

G. Operator shall have authority to make any single expenditure or expenditures up to an amount of \$10,000.00 without prior approval of the Parties.

XI.

Previously Incurred Facility Expenses

It is understood and agreed that Operator has incurred certain expenses necessary to the construction and installation of the Facility in order to prevent waste and to comply with the laws, rules and regulations prescribed by governmental and regulatory bodies or agencies having jurisdiction of the operations contemplated by this agreement. All such necessary and attendant costs and expenses shall be charged to the account of the Parties and paid as provided in Article VII hereof.

XII.

Operating Expenses of the Facility

A. Operator shall initially pay all operating expenses of the Facility. Each Non-Operator shall reimburse Operator for such Non-Operator's share of such expenses. Each Party's share of the Facility operating expenses shall be equal to its current interest in the Participating Area or the latest revision thereof. All charges and credits for such expenses shall be made in accordance with Exhibit "D".

B. Operator shall have the right to require Non-Operators or any of them to advance their respective share or shares of estimated Facility operating expenses by submitting to Non-Operators on or before the fifteenth day of any month, an itemized estimate thereof for the next succeeding month, with the request for payment in advance. Within fifteen (15) days thereafter, each Non-Operator shall pay to Operator its share of such estimate. Adjustments between estimated and actual expenses shall be made by Operator at the close of each calendar month and the accounts of the Parties shall be adjusted accordingly.

C. If any Non-Operator fails to pay its share of such expense within the aforesaid time, any unpaid amount shall bear interest at the rate of eight percent (8%) per annum from the date that such payment was due until paid.

XIII.

Rights of Non-Operators

A. Each Non-Operator shall have access, at the sole risk of the Party exercising such right, to the Contract Area and to the Facility at all reasonable times to inspect operations thereon and the records and data pertaining thereto.

B. Each Non-Operator shall have the right to receive from Operator, upon written request, all information pertaining to the operations contemplated by this agreement. The cost of gathering and furnishing information not ordinarily furnished by Operator to all Non-Operators shall be charged to the Non-Operator requesting such information.

XIV.

Participating Area

A. The Participating Area shall be all Tracts within the Contract Area on which there is a Committed Well. The Participating Area is described in Exhibit "B".

B. The Participating Area may be revised at any time and from time to time by the Parties. Any revision of the Participating Area shall be effective as of the first day of the calendar month during which there is completed, on any portion of the Contract Area but not within the then existing Participating Area, a well capable of producing Operated Substances. It is agreed that the approval by the Parties owning an interest in any well to be drilled on any Tract within the Contract Area to the Strawn Formation will also be deemed to be an approval to enlarge the Participating Area to include the tract on which such well is located, provided, that any such well is completed as a well capable of producing Operated Substances in commercial quantities. Upon any revision of the Participating Area, Exhibits "B" and "C" shall be revised accordingly.

C. There shall be no retroactive adjustment of operating costs or allocation of any income to the Facility or the proceeds thereof as the result of any revision of the Participating Area. Operator, by proper charges and credits to the Total Investment Account, shall adjust such account to conform the interests of the Parties in the revised Participating Area. All such adjustments shall be effective as of the effective date of the revision of the Participating Area. If any charge against any Party, under this Paragraph C is greater than the amount credited to such Party, the resulting net charge shall be treated as an item of Facility expense chargeable against such Party. If the credit to any Party is greater than the amount charged against such Party, the resulting net credit shall be paid to such Party by Operator out of funds received by Operator in settlement of the net charges described above.

XV.

Operator May Commingle Production

A. Operator is hereby granted the right to commingle and store all produced Operated Substances into a common tank or common tanks located within the Contract Area.

B. Operated Substances which may be produced from each Committed Well and commingled hereunder shall be measured by means of positive displacement meters.

C. For the purpose of calculating the amount of Operated Substances attributable to each Tract and commingled into any common tank or tanks hereunder, each Tract will be given credit for all Operated Substances sold from the common tank or tanks in the proportion that the amount of Operated Substances metered from each Tract bears to the total amount of all Operated Substances metered from all Tracts and delivered into the common tank or tanks. All Operated Substances so metered shall be corrected for basic sediment and water content. Any difference in the total amount of Operated Substances metered hereunder and the amount thereof on hand at time of sale resulting from shrinkage or vapor loss shall be deducted proportionately from the amount of Operated Substances attributable to each Tract. Any Operated Substances remaining in the tank or tanks after any sale shall be attributed to each Tract in the same proportion and any future allocation of Operated Substances shall be adjusted to give effect to Operated Substances remaining on hand after the immediately preceding sale. Proceeds from the sale of Operated Substances pursuant to this Article XV shall not be deemed to be Facility Income within the meaning of Article XVII hereof.

D. Operator agrees to keep accurate records of Operated Substances obtained from each Tract. Operator further agrees to gauge all Operated Substances sold and to take inventory of Operated Substances remaining in each tank after each sale. Operator further agrees to keep accurate records of all sales and remaining inventories of Operated Substances.

E. If more than one Tract is connected to a common meter, all Tracts connected to the same common meter shall be deemed to be one Tract for the purposes of this Article XV.

XVI.

Revision of Contract Area

A. The Contract Area may be revised at any time and from time to time by a vote of the Parties in the manner provided in Article

B. Any revisions of the Contract Area hereof shall be effective as of the first day of the month following the month in which such revision is approved by the Parties.

C. There shall be no retroactive accounting of any costs or expenses or adjustment of the Total Investment Account by reason of any revision of the Contract Area.

D. Upon any revision of the Contract Area, Exhibit "A" shall be revised accordingly.

E. When the Contract Area is revised as herein provided, Operator shall have and is hereby granted authority to secure the ratification of this agreement by any party owning a leasehold interest in any lands which shall be added to the Contract Area. The vote of the Parties to enlarge the Contract Area shall also be deemed to be a commitment of any interest owned by the Parties in any lands to be added to the Contract Area, without the requirement of a formal written commitment of such interest; however, the Parties agree to execute such instruments or assurances as may be necessary or desirable to accomplish the purposes of this Paragraph E. Any person, party or entity owning an interest in any lands which may be added to the Contract Area and who has not theretofore become a Party to this agreement shall be furnished with a copy of this agreement by Operator with a request that such person, party or entity agree in writing to be bound by the terms hereof. Operator shall furnish Non-Operators a copy of all instruments executed pursuant to this Paragraph E.

XVII.

Facility Income

A. It is understood and agreed that there may be income resulting from the operation of the Facility. Proceeds resulting from the sale of Operated Substances pursuant to any other Article hereof shall not be deemed to be income within the meaning of this Article XVII.

B. All income, including, but not limited to, income resulting from the operation of any vapor recovery unit or equipment of the Facility shall be owned by the Parties in the proportion that the amount of Operated Substances processed hereunder from each Tract bears to the total of all Operated Substances processed hereunder from all Tracts.

C. Operator shall distribute Facility Income in the manner provided in Exhibit "D"; provided, however, that Operator may deduct from any such income, any amount due and owing by any Non-Operator to Operator hereunder.

D. In the event it is determined that royalty or other payments become due on Facility Income, each Party shall solely pay and bear all such royalties and other payments out of the Facility Income distributed to each Party.

XVIII.

Disposition of Operated Substances

A. All Operated Substances delivered into the Facility shall be accounted for as provided in Article XV hereof.

B. All Operated Substances allocated to each Tract within the Participating Area shall be distributed among, or accounted for to, the parties entitled to share in the production of such

Tract in the same manner, in the same proportions and under the same conditions as they would have participated and shared in production from such Tract, or in the proceeds thereof, had this agreement not been entered into, with the same legal effect. If any Tract within the Participating Area becomes divided or owned in severalty as to different parts of such Tract, the owners of such divided interests, in absence of an agreement providing for a different division, shall share in the Operated Substances allocated to such Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

C. The Operated Substances allocated to each Tract within the Participating Area shall be delivered in kind to the respective Parties entitled thereto by virtue of the ownership of such Operated Substances or by purchase from such owners. Such Parties shall have the right to construct, maintain and operate within the Contract Area, all necessary facilities for such purposes; provided that such facilities are so constructed, maintained and operated as not to interfere with any operations contemplated or provided for by this agreement. Any extra expenditures incurred by Operator by reason of delivering in kind any portion of the Operated Substances shall be borne solely by the receiving Party. If a royalty owner or any other Party has the right to take in kind a share of Operated Substances but fails to do so, the Party whose interest is subject to such royalty or other interest shall be entitled to take in kind such share of the Operated Substances, subject to all of the provisions and conditions of this Article.

D. If any Party fails to take in kind or separately dispose of its share of Operated Substances, Operator shall have the right, for the time being and subject to revocation at will by the Party owning such share, to purchase for its own account or to sell to others such share; provided that, all contracts of sale by Operator of any other Party's share of Operated Substances shall be only for such reasonable times as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Operated Substances so disposed of by Operator shall be paid to the Party entitled thereto.

E. Any Party receiving in kind or separately disposing of all or any part of the Operated Substances allocated to any Tract within the Participating Area or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons or parties entitled thereto and such Party shall indemnify all of the other Parties against any liabilities for all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of such share of Operated Substances or the proceeds therefrom.

XIX.

Surplus Material and Equipment

Any surplus material or equipment acquired pursuant to this agreement when, in the judgment of Operator, is not necessary for operations hereunder, may be sold at the highest bid then obtainable to one of the Parties or to third parties and the proceeds from such sale, less the cost and expense of retirement, shall be ratably disbursed to the Parties in the proportion that each Party's interest in the Total Investment Account bears to the entire Total Investment Account.

XX.

Discontinuance of a Part of the Facility

Except as provided in Article XIX hereof, a part of the Facility may be discontinued only upon approval of 75% voting interest of the Parties hereto in the manner provided for in Article IX hereof. When any part of the Facility is so discontinued, Operator may sell that part of the Facility for the

best price obtainable and the proceeds from such sale or sales less the cost and expense of retirement shall be ratably disbursed to the Parties in the proportion that each Party's interest in the Total Investment Account bears to the entire Total Investment Account. If an entire Tract within the Participating Area is affected by such partial discontinuance, the Party or Parties owning such Tract shall retain its or their interest in the Total Investment Account, but will not bear any part of the future investment or operating costs nor shall such Party or Parties participate in any Facility Income by virtue thereof.

XXI.

Withdrawal of a Tract

No Tract may be withdrawn from this agreement during the time that any Committed Well thereon is producing or capable of producing Operated Substances in commercial quantities, unless all Parties hereto agree to the withdrawal of such Tract. The Party or Parties owning such Tract will retain its or their interest in the Total Investment Account by virtue of contributing such Tract but such Party or Parties will not bear any part of the future investment costs or operating expenses, nor shall such Party or Parties be entitled to participate in the Facility Income otherwise attributable to any Tract so withdrawn.

XXII.

Settlement of Claims

Operator may settle any single claim or suit involving Facility operations but not involving an expenditure in excess of \$5,000.00 provided the payment is in full and complete settlement of such claim or suit. If the amount required for any settlement exceeds \$5,000.00, the Parties shall assume and take over the further handling of such claim or suit unless such authority is expressly delegated to Operator. All costs and expenses incurred in handling, settling or otherwise discharging any such claim or suit shall be an item of Facility operating expense. If a claim is made against any Non-Operator or if any Non-Operator is sued on any matter arising from Facility operations and over which such Party individually had no control because of the rights herein granted to Operator, such Party shall immediately notify Operator and the claim or suit shall be treated as any other claim or suit involving Facility operations.

XXIII.

Transfer of a Party's Interest

Any Party selling any interest in any Committed Well or in the Contract Area shall have the right to transfer to the purchaser thereof the interest of such Party in the Facility and the Total Investment Account attributable thereto, provided that any such transfer or sale is made expressly subject to this agreement. A certified recorded copy of the instrument of transfer or sale shall be furnished to Operator. The selling Party shall remain bound by all of the terms and provisions of this agreement and shall be responsible for all obligations and liabilities connected with such well or interest until Operator receives the instrument of transfer as herein provided. The effective date of any such transfer, for the purposes of this agreement, shall be the first day of the calendar month following the expiration of fifteen (15) days after receipt of the instrument of transfer by Operator.

XXIV.

Default, Contribution and Operator's Lien

A. In the event of any neglect or failure by any Party to pay its proportionate part of the costs and expenses incurred in the construction, installation, maintenance, expansion or operation of the Facility or for claims, judgments or settlements paid by Operator under the provisions hereof, within the period of time herein required for such payment, each Party, upon request by Operator, agrees to pay its proportionate part of the unpaid costs and expenses of any defaulting Party. The Parties that pay the share of such unpaid costs and expenses of a defaulting Party shall be reimbursed by the Operator for the amount so paid, plus any interest collected thereon, upon receipt by Operator of any past due amount or interest thereon from the defaulting Party. Any Party so paying a defaulting Party's share of costs and expenses shall be subrogated to the lien and rights herein granted Operator.

B. In the event of the failure of any Party to pay its proportionate part of the costs and expenses incurred hereunder by Operator within the period of time herein required for such payments, Operator, without prejudice to any other rights and remedies that Operator may have, shall have the right to collect and receive directly from the purchaser the proceeds from the sale of any defaulting Party's share of Operated Substances and Operator shall have the right to withhold such defaulting Party's share of Facility Income, until the amount owed by such defaulting Party, together with interest thereon at the rate of eight percent (8%) per annum, has been paid in full. Each and every purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any such default without the necessity or requirement of indemnification or bond of Operator or receipt or notice of receipt by Operator of an appropriate transfer order.

C. Operator shall have and is hereby granted a first and prior lien on the interest of each Party in the Facility, the Total Investment Account, the oil and gas lease or leases of each Party within the Contract Area, each Party's share of Facility Income and each Party's share of Operated Substances or the proceeds thereof as security for the payment of each Party's share of all costs and expenses to Operator hereunder, together with interest thereon at the rate of eight percent (8%) per annum from the date due until paid. Operator shall have the right to bring suit to enforce the collection of such indebtedness with or without the foreclosure of such lien. All costs and expenses incurred by Operator in connection with any such suit, including, but not limited to, investigation expenses, court costs and attorneys fees, shall be charged solely against the defaulting Party and Operator shall have the same rights, liens and remedies to secure the collection of such costs and expenses as are herein granted Operator to secure the payment of other costs and expenses incurred hereunder by Operator. If Operator elects to foreclose said lien, any foreclosure thereof shall be without prejudice to any other right or remedy, hereunder or at law or in equity, that Operator may have against the defaulting Party.

XXV.

Taxation

A. Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities covering all real and personal property owned, used or held by Operator pursuant to this agreement. Operator shall settle all assessments arising therefrom. Operator shall pay all such taxes and shall bill each Party for its proportionate share of such taxes in the manner set forth in Exhibit "D".

B. Each Party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or affecting its production or handling of its share of Operated Substances and Facility Income.

XXVI.

Insurance

A. The Operator shall at all times during the term of this agreement, carry and require all contractors performing work hereunder to carry insurance to protect the Parties as follows:

1. Workmen's Compensation and Employer's Liability Insurance as required by the laws of the State of New Mexico.
2. Comprehensive General Public Liability Insurance, with limits of not less than: \$100,000.00 applicable to bodily injury, sickness or death of any one person and \$300,000.00 for more than one person in any one accident, and \$100,000.00 for loss of or damage to property in any one accident and \$100,000.00 aggregate limit applicable to all loss of or damage to property during the policy period.
3. Automobile Public Liability Insurance covering all automotive equipment used in performance of work under this agreement with limits of not less than: \$100,000.00 applicable to bodily injury, sickness or death of any one person and \$300,000.00 for more than one person in any one accident, and \$50,000.00 for loss of or damage to property in any one accident.

If automotive equipment used is owned exclusively by Operator, no charge will be made to the Parties for premiums of this coverage except as is provided in Exhibit "D".

B. No change in the insurance set forth above and no other insurance will be carried for the benefit of the Parties in connection with any operations hereunder unless agreed to in writing by the Parties.

XXVII.

Force Majeure

If any Party (including the Operator, in its capacity as such) 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, such Party shall give the other Parties prompt written notice of the force majeure with the reasonably full particulars concerning it; thereupon, the obligation of the Party giving the notice, insofar as it is 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 possible diligence to remove the force majeure as quickly as possible. The requirement that any force majeure 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; the handling of all such difficulties shall be entirely within the discretion of the Party concerned. The term "force majeure" as herein employed, shall mean an act of God, strike, lockout, or other industrial or civil disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, 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 such suspension.

XXVIII.

Laws, Rules and Regulations

A. This agreement is expressly subject to all applicable and subsisting laws, orders, rules and regulations of any duly constituted Federal, State or local authority having jurisdiction of the premises and all operations contemplated hereby shall be conducted in conformity therewith.

B. In connection with the performance of work under this agreement, Operator agrees to comply with all of the provisions of Section 301 (1) to (7) inclusive of Executive Order 10925, as amended (28 F.R. 6485), which are hereby incorporated by reference in this agreement.

XXIX.

Other Agreements

A. It is understood and agreed that, except for the operations and other matters specifically covered herein, nothing contained in this agreement shall be in any manner deemed to amend, modify or change the provisions of any operating agreement between any of the Parties covering all or any portion of the Contract Area. All matters relating to the drilling, completing and operating any well on the Contract Area, the development and operation of any Tract and the ownership of any production which may be obtained therefrom, shall be in accordance with such operating agreements, unless otherwise provided herein. All rights and duties of the Parties to said operating agreements, other than those specifically set forth herein, shall be governed and controlled by any of such operating agreements. In the event of any conflict between the terms of any of such agreements and the terms of this agreement, it is agreed that the terms of this agreement shall control.

B. The Parties recognize the necessity of making and entering into communitization and other similar agreements in order to comply with the spacing and other applicable regulations, laws, rules and orders of the United States of America and the State of New Mexico. The Parties agree to execute and enter into any such communitization agreements as may be necessary to comply with such laws, orders, rules and regulations and to accomplish the purposes of this agreement.

C. It is further understood and agreed that it may become necessary to enter into agreements with royalty owners, overriding royalty owners and other parties owning an interest in the Operated Substances, to provide for the common storage, commingling, metering, measuring or accounting for, of Operated Substances. The Parties do hereby authorize Operator to enter into such agreements as may be necessary or convenient to commingle, store, meter, measure or account for any produced Operated Substances. The Parties do hereby stipulate and agree that it shall not be necessary for Operator to secure the execution or ratification of any of such agreements by any of the Parties; provided, that all such agreements, insofar as the same cover the working interest ownership of Operated Substances, are made expressly subject to the terms and provisions of this agreement; and provided, further, that Operator, after such agreements have been approved by the governmental bodies or agencies which require such approval, furnish each Non-Operator a copy of such agreements, upon receiving a written request therefor. Notwithstanding anything contained in this Article to the contrary, the Parties agree to execute such further instruments or assurances as may be necessary to accomplish the purposes of this Article.

XXX.

Relationship of the Parties

A. The rights, duties, obligations and liabilities of the Parties hereunder shall be several and not joint or collective. Each Party shall be individually responsible only for the obligations and liabilities expressly assumed hereunder and shall be liable only for its proportionate part of the costs and expenses incurred hereunder.

B. It is understood and agreed that it is neither the purpose nor intention of this agreement to create, nor shall the same be construed as creating, any mining partnership, commercial partnership or any other partnership relations, nor shall the operations or acts of the Parties hereunder be construed or considered as a joint venture, agency or any other such entity.

C. While the obligations of each of the Parties are several and not joint or collective, if solely for Federal or State income tax purposes, and for no other reason, the Parties should be regarded as partners or joint venturers, and the operations carried on under this agreement be required to be treated as a partnership as defined in Section 761 of the Internal Revenue Code of 1954 for Federal Income Tax, each and all the Parties do hereby elect under the authority of Section 761(a) to exclude such operations from the application of all of Subchapter K of Chapter 1 of Subtitle A of such Code. Each Party authorizes and directs the Operator to execute such an election upon its behalf and to file the same in the proper administrative office or agency. If requested by Operator to do so, each Party agrees to execute and join in such election or elections. If the law or regulations of the State of New Mexico should now or hereafter require the same or similar election as above provided, the provisions of this Article shall in like manner apply to all such laws or regulations.

XXXI.

Notices

All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram, with charges prepaid, to the address of the representative of each Party as furnished to Operator in accordance with Article VIII.

XXXII.

Effective Date and Term

This agreement shall become effective as of 7:00 A.M., M.S.T., the _____ day of _____, 19____, and, unless sooner terminated in writing by all Parties, this agreement shall remain in full force and effect so long as the leases covering all or any portion of the Contract Area remain in full force and effect as to the Strawn Formation. This agreement shall not fully terminate until there is a final accounting between the Parties.

XXXIII.

Covenants Run with the Land

The terms, covenants and provisions hereof shall be deemed to be covenants running with the lands and the leasehold estates subject hereto and shall be binding upon and inure to the benefit of the Parties, their respective heirs, devisees, executors, administrators, personal representatives, successors and assigns.

XXXIV.

Counterpart Execution

A. This agreement may be executed in one or more counterparts or by any instrument agreeing to be bound by the terms hereof with the same force and effect as if all Parties had joined in the execution of one and the same instrument.

B. This agreement shall be binding upon all Parties who execute the same or agree to be bound by the provisions hereof, notwithstanding that all Parties may not execute the same or agree to be bound by the terms and provisions hereof.

XXXV.

Miscellaneous Provisions

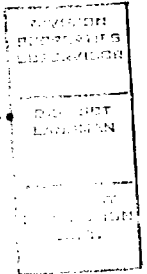
A. The headings of all articles hereof are for convenience only and shall not be used in any manner in construing any provision of this agreement.

B. No funds received by Operator under this agreement need be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

C. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Operated Substances.

D. In the event any provision of this agreement should be determined or declared to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be deemed to be deleted from this agreement and this agreement, as so modified and amended, shall continue in full force and effect as herein provided.

IN WITNESS WHEREOF, the Parties have executed this agreement as of the day and year first above written, on the dates shown on the respective acknowledgments, but effective as hereinabove provided.



TENNECO OIL COMPANY



By *[Signature]*
Agent and Attorney-in-Fact

"OPERATOR"

D. H. Byrd

CONTINENTAL OIL COMPANY

By _____
Attorney-in-Fact

ATTEST:

EL PASO NATURAL GAS COMPANY

Secretary

By _____
Vice President

ATTEST:

GREAT WESTERN DRILLING COMPANY

Secretary

By _____
President

ATTEST:

KERR-McGEE OIL INDUSTRIES, INC.

Secretary

By _____
Vice President

PAN AMERICAN PETROLEUM CORPORATION

By _____
Attorney-in-Fact

ATTEST:

PHILLIPS PETROLEUM COMPANY

Secretary

By _____
Vice President

ATTEST:

SOUTHERN NEW MEXICO OIL CORPORATION

Secretary

By _____
President

"NON-OPERATORS"

THE STATE OF TEXAS X
 ss
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 8th day of March, 1965, by A. W. McKeel, Agent and Attorney-in-Fact of Tenneco Oil Company, a Delaware corporation, on behalf of said corporation.

Jay J. Allison

Notary Public in and for
Midland County, Texas

My commission expires 6-1-65.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by D. H. Byrd.

Notary Public in and for
County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, Attorney-in-Fact of Continental Oil Company, a Delaware corporation, on behalf of said corporation.

Notary Public in and for
County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, Vice President of El Paso Natural Gas Company, a Delaware corporation, on behalf of said corporation.

Notary Public in and for
County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, President of Great Western Drilling Company, a _____ corporation, on behalf of said corporation.

Notary Public in and for
County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, Vice President of Kerr-McGee Oil Industries, Inc., a _____ corporation, on behalf of said corporation.

Notary Public in and for
_____ County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, Attorney-in-Fact of Pan American Petroleum Corporation, a Delaware corporation, on behalf of said corporation.

Notary Public in and for
_____ County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, Vice President of Phillips Petroleum Company, a _____ corporation, on behalf of said corporation.

Notary Public in and for
_____ County, _____

My commission expires _____.

THE STATE OF _____ X
COUNTY OF _____ X ss

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, President of Southern New Mexico Oil Corporation, a _____ corporation, on behalf of said corporation.

Notary Public in and for
_____ County, _____

My commission expires _____.

EXHIBIT "A"

Attached to and made a part of that certain
Operating Agreement for the Jones Automatic
Custody Transfer Facility dated the _____
day of _____, 19____.

Contract Area

Lease No. 1:

Lessor:	United States of America
Lessee of Record:	H. N. Sweeney
Lease Committed By:	Tenneco Oil Company
Serial Number of Lease:	NM 0309377-A (formerly NM 09003)
Date of Lease:	April 1, 1953
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u>
	<u>Section 13: NE/4 SW/4</u>
Number of Acres:	40

Lease No. 2:

Lessor:	United States of America
Lessee of Record:	Elsie G. Gorman
Lease Committed By:	Tenneco Oil Company
Serial Number of Lease:	NM 09003
Date of Lease:	April 1, 1953
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u>
	<u>Section 13: W/2 SW/4</u>
Number of Acres:	80

Lease No. 3:

Lessor:	United States of America
Lessees of Record:	Pan American Petroleum Corporation and Continental Oil Company
Lease Committed By:	Pan American Petroleum Corporation and Continental Oil Company
Serial Number of Lease:	NM 0309377 (formerly NM 09003)
Date of Lease:	April 1, 1953
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u>
	<u>Section 13: SE/4 SW/4</u>
Number of Acres:	40

Lease No. 4:

Lessor:	United States of America
Lessee of Record:	Thomas L. Dozier
Lease Committed By:	Tenneco Oil Company
Serial Number of Lease:	NM 0554775
Date of Lease:	September 1, 1964
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u>
	<u>Section 14: N/2 SW/4, SE/4 SW/4</u>
Number of Acres:	120

Lease No. 5:

Lessor:	United States of America
Lessee of Record:	El Paso Natural Gas Company
Lease Committed By:	El Paso Natural Gas Company
Serial Number of Lease:	NM 0175771
Date of Lease:	July 1, 1961
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 14: SW/4 SW/4</u>
Number of Acres:	40

Lease No. 6:

Lessor:	United States of America
Lessee of Record:	Great Western Drilling Company
Lease Committed By:	Great Western Drilling Company
Serial Number of Lease:	NM 0149954
Date of Lease:	March 1, 1961
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: NW/4 NW/4</u>
Number of Acres:	40

Lease No. 7:

Lessor:	United States of America
Lessees of Record:	Homer E. Dickes and Don Angle
Lease Committed By:	Tenneco Oil Company and Continental Oil Company
Serial Number of Lease:	NM 09003
Date of Lease:	April 1, 1953
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: NE/4 NW/4</u>
Number of Acres:	40

Lease No. 8:

Lessor:	United States of America
Lessees of Record:	Tenneco Oil Company, Continental Oil Company and D. H. Byrd
Lease Committed By:	Tenneco Oil Company, Continental Oil Company and D. H. Byrd
Serial Number of Lease:	NM 0107697 (formerly LC 029358)
Date of Lease:	January 1, 1940
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> <u>Section 23: W/2 NE/4</u>
Number of Acres:	80

Lease No. 9

Lessor:	United States of America
Lessees of Record:	Tenneco Oil Company and Continental Oil Company
Lease Committed By:	Tenneco Oil Company and Continental Oil Company
Serial Number of Lease:	NM 0107697 (formerly LC 029358)

Lease No. 9 (Continued):

Date of Lease:	January 1, 1940
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> Section 23: E/2 NE/4, SE/4, SW/4, S/2 NW/4 Section 24: W/2, W/2 NE/4 Section 25: All Section 26: All <u>Township 19 South, Range 32 East</u> Section 30: Lots 1 and 2 (W/2 NW/4)
Number of Acres:	2241.52

Lease No. 10:

Lessor:	United States of America
Lessee of Record:	Sadie C. Jones
Lease Committed By:	Southern New Mexico Oil Corporation
Serial Number of Lease:	LC 029358
Date of Lease:	January 1, 1940
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 31 East</u> Section 24: E/2 NE/4
Number of Acres:	80

Lease No. 11:

Lessor:	United States of America
Lessees of Record:	Phillips Petroleum Company and Kerr-McGee Oil Industries, Inc.
Lease Committed By:	Phillips Petroleum Company and Kerr-McGee Oil Industries, Inc.
Serial Number of Lease:	NM 0107698
Date of Lease:	August 1, 1951
Description of Lands	
Subject to Agreement:	<u>Township 19 South, Range 32 East</u> Section 30: E/2 NW/4
Number of Acres:	80

All in Lea and Eddy Counties, New Mexico.

EXHIBIT "B"

Attached to and made a part of that certain
Operating Agreement for the Jones Automatic
Custody Transfer Facility dated the _____
day of _____, 19____.

PARTICIPATING AREA

<u>Tract No.</u>	<u>Tract Name and Well No.</u>	<u>Description</u>	<u>Section No.</u>	<u>Part of Leas</u>
1	Jones Federal #1	SW/4	23	9
2	Jones Federal "B" #3	SE/4	23	9
3	Jones Federal "C" #1	SW/4	24	9
4	Jones Federal "D" #1	NW/4	24	9
5	Jones Federal Unit #1	NE/4	24	9, 10
6	Jones Federal #2	NE/4	25	9
7	Jones Federal "B" #2	NW/4	25	9
8	Jones Federal "B" #1	SE/4	25	9
9	Jones Federal "E" #1	NE/4	23	8, 9
10	Sweeney-Federal #1	SW/4	13	1, 2,
All in Township 19 South, Range 31 East, N.M.P.M., Eddy County, New Mexico				
11	Delhi-Federal #1	NW/4	30	9, 11
In Township 19 South, Range 32 East, N.M.P.M., Lea County, New Mexico				

EXHIBIT "C"

Attached to and made a part of that certain
Operating Agreement for the Jones Automatic
Custody Transfer Facility dated the _____
day of _____, 19____.

INTEREST OF THE PARTIES

<u>Party</u>	<u>Interest in Facility</u>
Tenneco Oil Company	46.6123 %
Continental Oil Company	40.9303
Southern New Mexico Oil Corporation	4.5455
D. H. Byrd	2.2727
Phillips Petroleum Company	2.2514
Kerr-McGee Oil Industries, Inc.	2.2514
Pan American Petroleum Corporation	1.1364
	<u>100.0000 %</u>

EXHIBIT " D "

Attached to and made a part of that certain Operating Agreement
for the Jones Automatic Custody Transfer Facility dated
the day of , 19 .

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. ~~XXXXXXXXXX~~

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

"Non-Operators" shall mean the nonoperating parties, whether one or more.

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Parties" shall mean Operator and Non-Operators.

"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; or as maintained by Operator.

2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. Collective Action by Non-Operators

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

4. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the Joint Account.

B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. Payment and Advances by Non-Operators

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of ~~xxx~~ ^{eight} per cent (~~xx~~ ⁸%) per annum until paid.

6. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operators 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 the Joint Property as provided for in Section VII.

7. 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 accounting hereunder 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 adjustment of accounts as provided for in Paragraph 6 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.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. ~~XXXXXXXXXXXXXXXXXXXX~~ Rentals and Royalties

~~Remainder and Royalties~~
~~Remainder and Royalties when such remainder and royalties are paid by Operator for the joint account~~
~~of the Parties~~

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of ~~technical~~ employees who are temporarily assigned to and directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost 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 and Paragraph 1 of Section III. 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 labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

1. Rentals and Royalties

Delay or other rentals and royalties becoming due under the terms of any oil and gas lease described in Exhibit "A" hereof shall be paid as provided in the agreement to which this Accounting Procedure is attached, but such payments shall not be charged to the Joint Account. Any rental or other payment becoming due under any surface lease, easement or other agreement acquired pursuant to the terms of the agreement to which this Accounting Procedure is attached shall be paid by the Operator for the Joint Account of the Parties.

3. Employee Benefits

Operator's current cost 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; provided however, the total of such charges shall not exceed ~~ten~~ percent (~~10%~~) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. Material

Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and 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 or railway receiving point where like material is available, except by agreement with Non-Operators.
- 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 or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
- C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

6. Services

- A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
- B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. 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 any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. Legal Expense

All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. 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.

10. Insurance Premiums

Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

11. 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 for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items ~~plus a fixed rate for administrative overhead and plus the applicable charge rate~~ as provided for in Paragraphs 1, 2 and 3 of this Section. ~~It is the policy of the Board of Directors that the Joint Account shall not be charged for indirect costs as provided for in Paragraph 1 of this Section. If so indicated, next below:~~

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☒ Paragraph 1, 2 and 3 (Allocation of district expenses plus fixed rate for administrative overhead plus
~~fixed rate for~~)
- ☐ Paragraph 4. (Combined fixed rate)

1. District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's District Production

office located at or near **Midland, Texas** (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice. In lieu of other charges provided for in this Paragraph 1, Operator shall charge the Joint Account at the rate of \$10.00 per Committed Well per month.

2. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
100	100.00	100.00	100.00	100.00
200	200.00	200.00	200.00	200.00
300	300.00	300.00	300.00	300.00
400	400.00	400.00	400.00	400.00
500	500.00	500.00	500.00	500.00
600	600.00	600.00	600.00	600.00
700	700.00	700.00	700.00	700.00
800	800.00	800.00	800.00	800.00
900	900.00	900.00	900.00	900.00
1000	1000.00	1000.00	1000.00	1000.00

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 this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. **Operator's Fully Owned Warehouse Operating and Maintenance Expense**
(Describe fully the agreed procedure to be followed by the Operator.)

4. **Combined Fixed Rates**

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten

Said fixed rate (shall) (shall not) include salaries and expenses of production foremen.

5. **Application of Administrative Overhead or Combined Fixed Rates**

~~The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:~~

- A. Charges for drilling wells shall begin on the date each 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 the suspension of drilling operations for fifteen (15) or more consecutive days.

B. The status of wells shall be as follows:

(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.

(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.

(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.

(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.

(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.

(6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.

C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.

D. The well rates shall be adjusted on the first day of April of 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 preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.
- ~~6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:~~
- A. Total cost less than \$25,000, no charge.

B. Total cost more than \$25,000 but less than \$100,000, _____ % of total cost.

C. Total cost of \$100,000 or more, _____ % of the first \$100,000 plus _____ % of all over \$100,000 of total cost.

Total cost shall mean the total 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 wells shall be excluded.
- ~~7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.~~
- IV. BASIS OF CHARGES TO JOINT ACCOUNT**
- Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.
1. **Purchases**
- Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.
2. **Material furnished from Operator's Warehouse or Other Properties**
- A. New Material (Condition "A")

(1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.

(2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.

(3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

(1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.

(2) Material which cannot be classified as Condition "B" but which,

(a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or

(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.

(3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

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6. For construction and installation of the Facility provided for in the agreement to which this Accounting Procedure is attached, as distinguished from the cost of operating such Facility, Operator shall charge construction overhead to the Joint Account at the following rates:
 - A. For any single project costing less than \$20,000, 5% of the total cost.
 - B. For any single project costing \$20,000 or more, 5% of the first \$20,000 plus 3% of all over \$20,000 of total cost.

Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately, however, any expansion of the Facility shall be deemed a separate or new project for each expansion.

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

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

~~2. Premium Prices~~

~~Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV 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 procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that 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 10 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.

5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. Material Purchased by the Operator or Non-Operators

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined

New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or

B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or

B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

~~The Operator shall maintain detailed records of Material received, stored, issued, and disposed of by the Joint Property.~~

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. 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, who shall in that event furnish Non-Operators with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator 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.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III 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 materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that at least ten days prior notice in writing is furnished to Non-Operator of the proposed action to be taken by Operator in obtaining or supplying the material and/or equipment called for under the provisions of this paragraph, whereupon Non-Operator shall have the right by so electing and notifying Operator within such ten days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, appropriate adjustments of accounts between Operator and Non-Operator shall be made. Operator agrees to acquire the necessary short supplies and equipment required to conduct operations upon the jointly owned premises and to charge the joint account therefor as herein provided unless Non-Operator elects to supply all or part of same within the specified period of time.