# **Exhibit 6 BLM Discussions Concerning Leaseline Wells**

## Federal / Federal Lease Commingling:

Hawk B-1 #33 (Federal Contract/Reporting No. NMNM111011)

Hawk B-1 #43 (Federal Contract/Reporting No. NMNM116237)

Hawk B-1 #58 (Federal Contract/Reporting No. NMNM118318)

The above listed wells are "Leaseline" wells that share production between two (2) Federal leases, being Federal Lease Nos. NMNM-90161 (uses Sliding Scale Royalty Schedule "D") and NMLC-031741A (uses Sliding Scale Royalty Schedule "C"). A Cooperative Well Agreement ("Agreement"), which has been approved by the Bureau of Land Management and all Working Interest Owners, for each well is currently in place. Each Agreement sets forth the well's production allocation percentages which are used in calculating the Working and Revenue Interest ownership. Because the allocation between two different leases creates diverse ownership between a "Leaseline" well and the "Normal" Hawk B-1 lease wells, Apache is required to set up each "Leaseline" well separately from the "Normal" wells and further report, to the governmental agencies, production from each "Leaseline" well separately. Furthermore, because the "Leaseline" well is "accounted for" separately, it is easy for Apache to calculate the correct royalty due the federal government, using the approved Agreements, regardless of whether or not the Federal leases contain different sliding scales. Currently, for measurement purposes, each well is tested once per month and Apache allocates total monthly production back to each well using said monthly well test. Apache is requesting approval to continue this method of measurement and to continue surface commingling production from each of the "Leaseline" wells with production from the "Normal" wells.

Apache has been in contact with the United States Bureau of Land Management ("BLM") in order to explain, in detail, the process in which Apache produces, measures (on-lease), commingles and sells production for the Hawk B-1 Lease. The BLM has requested production information to re-evaluate Apache's allocation methods in light of potential changes in federal commingling policies under amendments to Onshore Order No. 5 expected sometime in 2013.

## Exhibit 6 BLM Discussions Concerning Leaseline Wells

## Federal / Fee Lease Commingling:

Hawk B-1 #37 (Federal Contract/Reporting No. NMNM111013)
Hawk B-1 #41 (Federal Contract/Reporting No. NMNM111015)

The above listed wells are "Leaseline" wells that share production between a Federal lease, being Federal Lease No. NMNM-90161, and a Fee lease. A Cooperative Well Agreement ("Agreement"), which has been approved by the United States Bureau of Land Management ("BLM") and all Working Interest Owners, for each well is currently in place. Each Agreement sets forth the well's production allocation percentages which are used in calculating the Working and Revenue Interest ownership. Because the allocation between two different leases creates diverse ownership between a "Leaseline" well and the "Normal" Hawk B-1 lease wells, Apache is required to set up each "Leaseline" well separately from the "Normal" wells and further report, to the governmental agencies, production from each "Leaseline" well separately. Furthermore, because the "Leaseline" well is "accounted for" separately, it is easy for Apache to calculate the correct royalty due the federal government and fee interest owners using the approved Agreements. Currently, for measurement purposes, each well is tested once per month and Apache allocates total monthly production back to each well using said monthly well test. Apache is requesting approval to continue this method of measurement and to continue surface commingling production from each of the "Leaseline" wells with production from the "Normal" wells.

Apache has been in contact with the BLM in order to explain, in detail, the process in which Apache produces, measures (on-lease), commingles and sells production for the Hawk B-1 Lease. The BLM has requested production information to re-evaluate Apache's allocation methods in light of potential changes in federal commingling policies under amendments to Onshore Order No. 5 expected sometime in 2013.

## Exhibit 6 BLM Discussions Concerning Leaseline Wells

## **Federal / State Lease Commingling:**

Hawk B-1 #35 (Federal Contract/Reporting No. NMNM111012)

The above listed well is a "Leaseline" well that shares production between a Federal lease, being Federal Lease No. NMNM-90161, and a State of New Mexico lease. A Cooperative Well Agreement, which has been approved by the United States Bureau of Land Management ("BLM") and all Working Interest Owners, is currently in place for the subject well. Further, a Communitization Agreement, which has been approved by the State of New Mexico and all Record Title Interest Owners, is also in place for said well. Both agreements set forth the well's production allocation percentages which are used in calculating the Working and Revenue Interest ownership. Because the allocation between two different leases creates diverse ownership between a "Leaseline" well and the "Normal" Hawk B-1 lease wells, Apache is required to set up each "Leaseline" well separately from the "Normal" wells and further report, to the governmental agencies, production from each "Leaseline" well separately. Furthermore, because the "Leaseline" well is "accounted for" separately, it is easy for Apache to calculate the correct royalty due the federal government, as well as royalty due the fee interest owners, using the approved agreements. Currently, for measurement purposes, each well is tested once per month and Apache allocates total monthly production back to each well using said monthly well test. Apache is requesting approval to continue this method of measurement and to continue surface commingling production from each of the "Leaseline" wells with production from the "Normal" wells.

Apache has been in contact with the BLM in order to explain, in detail, the process in which Apache produces, measures (on-lease), commingles and sells production for the Hawk B-1 Lease. The BLM has requested production information to re-evaluate Apache's allocation methods in light of potential changes in federal commingling policies under amendments to Onshore Order No. 5 expected sometime in 2013.



## United States Department of the Interior

BUREAU OF LAND MANAGEMENT Roswell Field Office 2909 West Second Street Roswell, New Mexico 88201-2019



RECEIVED

JAN 2 0 2004

In reply refer to: NMNM111011 3105.1 (06300)

JAN 16 2004

Re: Cooperative Well Agreement Hawk B-1 #33 Well Sec.9 – 21S-37E NMPM Lea County, New Mexico

Apache Corporation Atm: Cindy McGee Two Warren Place – Suite 1500 6120 South Yale Tulsa, OK 74136-4224

Dear Ms. McGee:

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #33 well located 2630' FNL & 1250' FWL, Sec.9, T. 21 S., R. 37 E., Lea County, NM. The Cooperative Well Agreement has been assigned contract No. NMNM111011

Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as following:

Lease NMNM 90161

72.69%

Lease NMLC 031741A

27.31%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions please call Mary Lou Ormseth at (505) 627-0258 or Armando Lopez at (505) 627-0248.

Sincerely Yours

Larry D. Bray

Assistant Field Manager, Lands and Minerals

Lands and Miner

Enclosure:

1 - Cooperative Well Agreement

## COOPERATIVE WELL AGREEMENT WAY 111011 (for the Hawk B-1 # 33 Well)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of December, 2003, between BP AMERICA PRODUCTION COMPANY, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP"), CHEVRON U.S.A. INC., whose address is 15 Smith Road, Midland TX 79705 ("Chevron") and APACHE CORPORATION, whose address is Two Warren Place, Suite 1500, 6120 South Yale Avenue, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereafter referred to individually as "Party" and collectively as "Parties".

### WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

Hawk B-1 Lease -1.

Lessor:

The United States of America NM 90161

Lessee:

Estate of Wilbur C. Hawk

Date:

March 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: N/2SW/4, SE/4NW/4

Hawk A Lease -

Lessor:

The United State of America LC 031741 (a)

Lessee:

Estate of Wilbur C. Hawk

Date:

January 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M

Section 9: SW/4NW/4

WHEREAS, the Parties each own undivided operating rights in and to the Hawk A Lease, and the Hawk B-1 Lease; and

WHEREAS, the Parties desire to drill and complete the Hawk B-1 #33 Well ("Cooperative Well") for the production of oil, gas and related hydrocarbons at a non-standard location encroaching on the lease line between the N/2SW/4, SE/4NW/4 and SW/4SW/4 of Section 9 as described below;

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said Hawk B-1 #33 Well as described herein below.

NOW THEREFORE, the Parties hereby agree as follows:

#### DESIGNATION AND RESPONSIBILITIES OF OPERATOR 1.

Apache is designated as operator ("Operator") of the Hawk B-1 # 33 Well for the purposes of this Agreement.

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

## Hawk B-1 # 33 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2630' FNL & 1250' FWL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"). Solely for purposes of drilling and operating the Hawk B-1 #33 Well, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the Hawk B-1 # 33 Well as provided herein. As between the Parties there is and shall be no cross-assignment or other transfer to title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all reasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well. BP and Chevron shall also have the right to audit Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above, shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	50.00%
BP	25.00%
Chevron	25.00%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

## 2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results

there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before June 30, 2004, then this Agreement shall immediately terminate and shall have no further force and effect.

### 3. NON-PARTNERSHIP ELECTION

- A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.
- Notwithstanding any provisions herein that the right and liabilities of the Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

## 4. TRANSFER OF INTEREST

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Hawk A Lease and/or the Hawk B-1 Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

### 5. <u>CLAIMS AND LAWSUITS</u>

- A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other party.
- B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.

- C. If the amount required for settlement exceeds the amount hereinabove set out, Operator shall give notice to BP and Chevron of its intent to settle for such higher amount, and if BP and Chevron agree to such higher amount, Operator may settle such claim or suit for such higher amount.
- D. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon delegation of such authority by the Parties hereto supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for either Party.

### 6. TAKING PRODUCTION IN KIND

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the NMFU Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

### 7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Hawk A Lease	 	27.31%
Hawk B 1 Leace		72 600/

Each Party shall account for and administer its share of the Existing Burdens attributable to the Hawk A Lease and/or the Hawk B-1 Lease, based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk A Lease and the Hawk B-1 Lease.

### 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the Bureau of Land Management. The method used shall be checked for accuracy at least once every month. All gas separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

### 10. NOTICES

- A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.
- B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

## 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By:  Printed Name: (Rol) Johnston  Title: Central Region Vice President; Exploration & Development	By: Lato Printed Name: Robert C Hagens New Title: Attorney - M - FALT 920
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By:	By:
Printed Name:	Printed Name:
Title:	Title:

### 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the Bureau of Land Management. The method used shall be checked for accuracy at least once every month. All gas separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

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Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPAN
By:  Printed Name: Rob Johnston  Title:  Central Region Vice President, Exploration & Development	By:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: Clarles D. Inglie Printed Name: Churles D. Frish. A Title: Horney - In Fary	By:

### 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the Bureau of Land Management. The method used shall be checked for accuracy at least once every month. All gas separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

### 9. TITLE

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### 10. NOTICES

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- B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

### 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

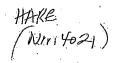
AFACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By:	By: Printed Name: Title:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By:	By: Lang Bray Printed Name: LARRY D. BARY Title: pss: 51 ANT FIRD MONAGER LANDS AND MINERAL

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COUNTY OF TULSA	§ .		,		•
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Notary Public, State of New Mexico

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corporation, on behalf of said corporation.	
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SHEILA REXROAD	Shula Tixyowah
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Pennsylvania corporation, on behalf of said corp	
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Dy Larry D. Dray, Author	ized Officer of the Bureau of Land Management on
behalf of the Bureau of Land Management.	λ
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## AMENDMENT TO COOPERATIVE WELL AGREEMENT (for the Hawk B-1 # 33 Well)

THIS AGREEMENT, made and entered into this 25<sup>th</sup> day of October, 2004, by and between the undersigned parties hereto:

### WITNESSETH, THAT

WHEREAS, parties hereto or their predecessors in interest have heretofore entered into a certain Cooperative Well Agreement described as follows:

Cooperative Well Agreement dated 1<sup>st</sup> day of December, 2003 between Apache Corporation, as Operator, and BP America Production Company and Chevron U.S.A. INC, Non-Operators covering the N/2SW/4, SE/4NW/4 (Hawk B-1 Lease) and the SW/4NW/4 (Hawk A Lease) all in Section 9, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

and,

WHEREAS, the undersigned Parties each own undivided operating rights in and to the Hawk A Lease, and the Hawk B-1 Lease and the oil and gas leasehold estate in the lands affected thereby, and do hereby desire to amend said agreement so as to provide for development of Grayburg and San Andres production as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed that the Cooperative Well Agreement referred to above and any amendments thereof or supplemental agreements pertaining thereto, are hereby amended by deleting therefrom the following, to wit:

## 1. <u>DESIGNATION AND RESPONSIBILITY OF OPERATOR</u>

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

## Hawk B-1 # 33 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,630' FNL & 1250' FWL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	 •1•••••	***************************************	 50.00%
TO TO:			
Chevron			

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

and substituting therefore the following provisions:

### 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

### Hawk B-1 # 33 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,630' FNL & 1250' FWL, Sec. 9, T21S-R37E,

4,350 feet, but in no event below the base of The San Andres Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the San Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	 	 	•••••	 50.00%
BP				
Chevron				25.00%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual completion and/or commingling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

Except as herein provided, the Cooperative Well Agreement referred to above shall remain in full force and effect in accordance with its terms and provisions.

THIS AGREEMENT shall be effective as of the date of Grayburg and San Andres first production from the Cooperative Well, and shall be binding as to each party executing the same, its successors or assigns, and it may be executed in separate counterparts with like effect as if all parties had executed the same instrument, which shall be considered as an original for all purposes.

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
$\Omega$ . L	
Зу: ДАТ	Ву:
Rob Johnston	Printed Name:
Vice President Mh	Title:
Central Region	
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
Ву:	By:
rinted Name:	Printed Name:
Citle:	Title:
STATE OF OKLAHOMA §	
. 8	
COUNTY OF TULSA §	
mi i i a de la de la de la constante de la con	ore me this 1st day of November, 2004, by Rob
I his instrument was acknowledged being	ore me this 101 day of November, 2004, by Roo
formston, vice President, Central Beggin, 201 Ap	pache Corporation, a Delaware corporation, on behalf
of said corporation.	
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STATE OF	Hotarine Deenwood
PASONAHOW OF ALL	Notary Public, State of Oklahoma
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§	•
COUNTY OF HARRIS §	•
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general de la companya de la compan La companya de la co	
· · · · · · · · · · · · · · · · · · ·	Notary Public, State of Texas
STATE OF TEXAS §	
§	
COUNTY OF §	
This instrument was acknowledged be	efore me this day of, 2004, by
	of Chevron U.S.A. Inc., a
ennsylvania corporation, on behalf of said co	rpòration.
· · ·	·
	Notary Public. State of Texas
	Notary Public, State of Texas
	Notary Public, State of Texas
	Notary Public, State of Texas
STATE OF NEW MEXICO §	Notary Public, State of Texas
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APACHE CORPORATION		BP AMERICA PRODUCTION COMPANY	
By: Rob Johnston Vice President Central Region	MA	By: Lolland M. Sierra Printed Name: Edmund M. Sierra Title: Attorney-in-Fact	DLO
CHEVRON U.S.A. INC.	•	BUREAU OF LAND MANAGEMENT	•
By:	• •	By: form D. Brand Printed Name: LARRY D. RADY Title: DFM LARDS + MINERALS	JAN 0 4 2001
STATE OF OKLAHOMA §  COUNTY OF TULSA §			
This instrument was acknowled Johnston, Vice President, Century Reports of said corporation.	figed before m	e this <u>kt</u> day of <u>November</u> 2004, by Rob Corporation, a Delaware corporation, on behalf Rofanne Breen wood	•
STATE OF TEXAS  \$ COUNTY OF HARRIS  \$	Sold of the second	Notary Public, State of Oklahoma	
This instrument was acknow Edmund M. Sierra  Company, a Delaware comporation of the Hellen K. Z.A. Making Hellen K. Z.A.	, Attor	me this 18 day of 000, 2004, by ney-In-Fact of BP America Production d corporation.	
Commission Explic	is 05-26-06 §	Notary Public, State of Texas	<b>-</b>
STATE OF TEXAS §  \$ COUNTY OF §			
This instrument was acknow Pennsylvania corporation, on behalf of		of Chevron U.S.A. Inc., a	
remissivama corporation, on behan	or said corpora	nion.	
		Notary Public, State of Texas	
STATE OF NEW MEXICO § § COUNTY OF LEA §			
This instrument was acknow by behalf of the Bureau of Land Manage	, Authorize	e me this day of, 2004, d Officer of the Bureau of Land Management on	

Notary Public, State of New Mexico

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By: Reb fountion Vice President Central Region	By: Printed Name: Title:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: C. B. Frish's Printed Name: C.D. Frish's Title: A Abraey-In- Fact	By: Jan 0 4 2005 Printed Name: LASAY D. BRAY Title: AFM LONDS & M, NISTALS
STATE OF OKLAHOMA §	
COUNTY OF TULSA §	
This instrument was anthornistical before a Johnston, Vice President, Constituted of Space of Said corporation.  PUBLIC IN AND FOR STATE OF	ne this 1st day of November, 2004, by Rob ne Corporation, a Delaware corporation, on behalf  Notary Public, State of Oklahoma 200 1569
STATE OF TEXAS §	
\$ COUNTY OF HARRIS \$	
This instrument was acknowledged before Company, a Delaware corporation, on behalf of sa	e me this day of, 2004, by of BP America Production id corporation.
	Notary Public, State of Texas
STATE OF TEXAS § COUNTY OF HARRES §	
C. D. Frishie, Attorn	e me this 8th day of <u>December</u> , 2004, by of Chevron U.S.A. Inc., a
Pennsylvania corporation, on behalf of said corporation, or commission expires the said corporation of	Notary Pytholic, State of Texas
STATE OF NEW MEXICO §  COUNTY OF LEA §	
This instrument was acknowledged befo by, Authorize behalf of the Bureau of Land Management.	re me this day of, 2004, ed Officer of the Bureau of Land Management on
or the Date of Land Management.	

Notary Public, State of New Mexico



## United States Department of the Interior

BUREAU OF LAND MANAGEMENT Roswell Field Office 2909 West Second Street Roswell, New Mexico, 88201-2019



In reply refer to: NMNM111012 3105.1 (06300)

Re: Cooperative Well Agreement Hawk B-1 #35 Well Sec. 9 - 21S-37E NMPM Lea County, New Mexico JAN 1 8 2004

RECEIVED
JAN 2 0 2004
LAND DEPT.

Apache Corporation Attn: Cindy McGee Two Warren Place – Suite 1500 6120 South Yale Tulsa, OK 74136-4224

Dear Ms. McGee:

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #35 well located 160' FSL & 1310' FEL, Sec.9, T. 21 S., R. 37 E., Lea County, NM. The Cooperative Well Agreement has been assigned contract No. NMNM111012.

Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as following:

Lease NMNM 90161

56.56%

State Lease

43.44%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions please call Mary Lou Ormseth at (505) 627-0258 or Armando Lopez at (505) 627-0248.

Sincerely Yours,

Larry D. Bray

Assistant Field Manager, Lands and Minerals

Enclosure:

1 - Cooperative Well Agreement

## COOPERATIVE WELL AGREEMENT (VAN AM) (1161)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of December; 2003, between BP AMERICA PRODUCTION COMPANY, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP") CHEVRON U.S.A. INC., whose address is 15 Smith Road, Midland TX 79705 ("Chevron") and APACHE CORPORATION, whose address is Two Warren Place, Suite 1500, 6120 South Yale Avenue, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereaften eferred to individually as "Party" and collectively as "Parties".

### WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

1. Hawk B-1 Lease -

Lessor:

The United States of America NN 90161

Lessee:

Estate of Wilbur C. Hawk

Date:

March 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: S/2SE/4

2. Leonard Lease -

Lessor:

State of New Mexico NM B-1732-1

Lessee:

Gypsy Oil Company

Date:

February 28, 1933

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico: -

Township 21 South, Range 37 East, N.M.P.M.

Section 16: N/2NE/4

WHEREAS, the Parties each own undivided operating rights in and to the Hawk B-1 Lease; and

WHEREAS, Chevron has 100% of the operating rights in and to the Leonard Lease; and

WHERBAS, the Parties desire to drill and complete the Hawk B-1 #35 Well ("Cooperative Well") for the production of oil, gas and related hydrocarbons at a non-standard location encroaching on the lease line between Sections 9 and 16 as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said Hawk B-1 # 35 Well as described herein below.

NOW THEREFORE, the Parties hereby agree as follows:

## DESIGNATION AND RESPONSIBILITIES OF OPERATOR

A. Apache is designated as operator ("Operator") of the Hawk B-1 #35 Well for the purposes of this Agreement.

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

### Hawk B-1 # 35 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 160' FSL & 1310' FEL, Sec. 9, T21S-R37E

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"). Solely for purposes of drilling and operating the Hawk B-1 # 35 Well, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the Hawk B-1 # 35 Well as provided herein As between the Parties there is and shall be no cross-assignment or other transfer to title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all reasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well. BP and Chevron shall also have the right to an unit to Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above, shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	 		 	***********	28.28%
BP		• •	i 1 '		3.4.1.407
				*	

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

### 2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results, there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties; and shall salyage all equipment in and on the

well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before June 30, 2004, then this Agreement shall immediately terminate and shall have no further force and effect.

## 3. NON-PARTNERSHIP ELECTION

- A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.
- Notwithstanding any provisions herein that the right and liabilities of the В. Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income ax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party. hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

### 4. TRANSFER OF INTEREST

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Hawk B-1 Lease and/or the Leonard Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

## 5. <u>CLAIMS AND LAWSUITS</u>

- A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other party.
- B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.
- C. If the amount required for settlement exceeds the amount hereinabove set out, Operator shall give notice to BP and Chevron of its intent to settle for such higher amount, and if BP and Chevron agree to such higher amount, Operator may settle such claim or suit for such higher amount.

D. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon delegation of such authority by the Parties hereto supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for either Party.

### 6. TAKING PRODUCTION IN KIND

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the NMFU Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

### 7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Hawk B-1 Lease	56.56	6
Leonard Lease	43.44	'n

Each Party shall account for and administer its share of the Existing Burdens attributable to the Hawk B-1 Lease, and/or the Leonard Lease based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk B-1 Lease, and the Leonard Lease.

### 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the State of New Mexico

and the Bureau of Land Management. The method used shall be checked for accuracy at least once every month. All gas separated from such oil shall be metered of determined from well test before delivery to the gas purchaser.

### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

### NOTICES

- A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.
- B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

### 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management, and a Communitization Agreement covering production from the Cooperative Well has been approved by the Commissioner of Public Lands of the State of New Mexico.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By:	Printed Name Robert C. Hagens Title: Attarney-in-Fact
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
Ву:	By:
Printed Name:	Printed Name:
Title:	Title:
	. 1 1

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APACHE CORPORATION	BP AMERICA PRODUCTION COMPAN
By: Reb Johnsten Title: Centrul Region Vice President, Cxploration & Development	By:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: Clarks & Frohis Printed Name: Charles D. Fish's Title: Horney-in-Fact	By: Printed Name: Title:

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By: Rep Johnston  Title: Central Region Vice President  Exploration & Development	By: Printed Name Title:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: Printed Name: Title:	By: Land D. Brand Printed Name: LARRY D. BRAY Title: AS STANT FIELD MONDRES LANDSOND MINERALS

STATE OF OREAHOMA				
COUNTY OF TULSA	§ §			
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COUNTY OF HARRIS	\$			
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Om town on mark to				
STATE OF TEXAS  COUNTY OF MIDLAND	9 9			
This instrument was	acknowledged befo	ore me this		200, by
Pennsylvania corporation, o	n behalf of said cor	poration.	of Chev	ron U.S.A. Inc., a
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.4		w.,		•
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STATE OF NEW MEXICO	) §			
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This instrument wa	s acknowledged be	fore me this	day of	, 200,
by behalf of the Bureau of Land	, Autho d Management.	orized Officer of th	e Hureau of Land	Management on
	•	Noton D. L.	Danks CDT	<u> </u>
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STATE OF OKLAHOMA §				
COUNTY OF TULSA §				
This instrument was acknow Johnston, Vice President, Explora corporation, on behalf of said corpo Notary Public of OFFICIAL SHEILA RE) TULSA GO Conum. Exp. 0	CALINATION SEAL KROAD UNTY	Shi	ly of <u>Neumber</u> , 2 pache Corporation, <u>Le Essenas</u> c, State of Oklahom	L
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STATE OF OKLAHOMA §	
COUNTY OF TULSA §	
This instrument was acknowledged before Johnston, Vice President, Exploration, Central corporation, on behalf of said corporation.	me this <u>MHA</u> day of <u>December</u> , 2003, by Rob Region, of Apache Corporation, a Delaware
Notary Public Oklahoma OFFICIAL SEAL SHEILA REXROAD TULSA COUNTY Comm. Exp. 07-28-2004	Notary Public, State of Oklahoma
STATE OF TEXAS §	
COUNTY OF HARRIS §	
This instrument was acknowledged before	e me this day of, 200, by
Company, a Delaware corporation, on behalf of sa	
	Notary Public, State of Texas
STATE OF TEXAS §	.
COUNTY OF MIDLAND §	
This instrument was acknowledged before	
Pennsylvania corporation, on behalf of said corporation	of Chevron U.S.A. Inc., a
	Notary Public, State of Texas
STATE OF NEW MEXICO §	
COUNTY OF LEADING \$	
This instrument was acknowledged before	e me this day of 200 day of Land Management on
	Notary Public, State of New Mexico

## AMENDMENT TO COOPERATIVE WELL AGREEMENT (for the Hawk B-1 # 35 Well)

THIS AGREEMENT, made and entered into this 25th day of October, 2004, by and between the undersigned parties hereto:

## WITNESSETH, THAT

WHEREAS, parties hereto or their predecessors in interest have heretofore entered into a certain Cooperative Well Agreement described as follows:

Cooperative Well Agreement dated 1st day of December, 2003 between Apache Corporation, as Operator, and BP America Production Company and Chevron U.S.A. INC, Non-Operators covering the S/2 SE/4 (Hawk B-1 Lease) in Section 9, Township 21 South, Range 37 East, N.M.P.M. and the N/2 NE/4 (Leonard Lease) in Section 16, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

and.

WHEREAS, the undersigned Parties each own undivided operating rights in and to the Hawk B-1 Lease, and the Leonard Lease and the oil and gas leasehold estate in the lands affected thereby, and do hereby desire to amend said agreement so as to provide for development of Grayburg and San Andres production as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed that the Cooperative Well Agreement referred to above and any amendments thereof or supplemental agreements pertaining thereto, are hereby amended by deleting therefrom the following, to wit:

### 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

## Hawk B-1 # 35 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 160' FSL & 1,310' FEL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

C: Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	 	28.28%
Chevron		7.58%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail

and substituting therefore the following provisions:

### 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

### Hawk B-1 # 35 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 160' FSL & 1,310' FEL, Sec. 9, T21S-R37E,

4,350 feet but in no event below the base of The San Andres Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Sau Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	28.28%
BP	
Chevron	

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual completion and/or commingling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management, and a Communitization Agreement covering production from the Cooperative Well has been approved by the Commissioner of Public Lands of the State of New Mexico.

Except as herein provided, the Cooperative Well Agreement referred to above shall remain in full force and effect in accordance with its terms and provisions

THIS AGREEMENT shall be effective as of the date of Grayburg and San Andres first production from the Cooperative Well, and shall be binding as to each party executing the same, its successors or assigns, and it may be executed in separate counterparts with like effect as if all parties had executed the same instrument, which shall be considered as an original for all purposes.

APACHE CORPORATION		BP AMER	ICA PRODUCTION COMPANY	. :
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Rob Johnston Vice President	<i>r</i>	Title:	Attorney-in-Fact	N
Central Region				• • •
CHEVRON U.S.A. INC.		BUREAU	OF LAND MANAGEMENT	, f
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Pennsylvania corporation, on behalf of sai	d corpora	tion.		٠.
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by, A	uthorized	l Officer of t	the Bureau of Land Management on	
behalf of the Bureau of Land Management	• .			
Hawk B 1-35	•	Notary Pub	olic State of New Mexico	•
			Page 3	

APACHE CORPORATION	• . • .	BP AMERICA P	RODUCTION COM	PANY
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Pennsylvania corporation, on heliologof s				
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ehalf of the Bureau of Land Manageme	nt.			
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	•	Notary Public Sta	te of New Mexico	<del></del>
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## United States Department of the Interior

BUREAU OF LAND MANAGEMENT Roswell Field Office 2909 West Second Street Roswell, New Mexico 88201-2019



RECEIVED

JAN 2 0 2004

TULSA LAND DEPT.

In reply refer to: NMNM111013 3105.1 (06300)

JAN 1 6 2004

Re: Cooperative Well Agreement, Hawk B-1 #37 Well Sec.9 – 21S-37E NMPM Lea County, New Mexico

Apache Corporation Attn: Cindy McGee Two Warren Place – Suite 1500 6120 South Yale Tulsa, OK 74136-4224

Dear Ms. McGee:

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #37 well located 2590' FSL & 1310' FEL, Sec.9, T. 21 S., R. 37 E., Lea County, NM. The Cooperative Well Agreement has been assigned contract No. NMNM111013.

Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as following:

Lease NMNM 90161

64.32%

Fee Lease

35.68%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions please call Mary Lou Ormseth at (505) 627-0258 or Armando Lopez at (505) 627-0248,

Sincerely Yours,

Larry D. Bray

Assistant Field Manager, Lands and Minerals

Enclosure:

1 - Cooperative Well Agreement

## OOPERATIVE WELL AGREEMENT (for the Hawk B-1 #37 Well)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of December, 2003, between BP AMERICA PRODUCTION COMPANY, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP"), CHEVRON U.S.A. INC., whose address is 15 Smith Road, Midland TX 79705 ("Chevron") and APACHE CORPORATION, whose address is Two Warren Place, Suite 1500, 6120 South Yale Avenue, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereafter referred to individually as "Party" and collectively as "Parties".

### WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinaster sometimes collectively referred to as the "Properties"):

Hawk B-1 Lease -

Lessor:

The United States of America NM 90161

Lessee:

Estate of Wilbur C. Hawk

Date:

March 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: N/2SE/4

Southland Royalty "A" Lease -

Lessor:

Southland Royalty Company, et al

Lessee:

Stanolind Oil & Gas CO.

Date:

September 22, 1942

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: S/2NE/4

WHEREAS, Apache has 100% of the operating rights in and to the Southland Royalty "A" Lease; and

WHEREAS, the Parties each own undivided operating rights in and to the Hawk B-1 Lease; and

WHEREAS, the Parties desire to drill and complete the Hawk B-1 #37 Well ("Cooperative Well") for the production of oil, gas and related hydrocarbons at a non-standard location encroaching on the lease line between S/2NE/4 and N/2SE/4 of Section 9 as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said Hawk B-1 #37 Well as described hereinbelow.

NOW THEREFORE, the Parties hereby agree as follows:

## DESIGNATION AND RESPONSIBILITIES OF OPERATOR

Apache is designated as operator ("Operator") of the Hawk B-1 #37 Well for the purposes of this Agreement.

Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

#### Hawk B-1 #37 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,590' FSL & 1,310' FEL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"). Solely for purposes of drilling and operating the Hawk B-1 #37 Well, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the Hawk B-1 #37 Well as provided herein. As between the Parties there is and shall be no cross-assignment or other transfer to title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all feasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well. BP and Chevron shall also have the right to audit Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above, shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production there from will be slared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	67.8400%
BP	16.0800%
Chevron	16.0800%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

### 2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the well for the account of the Party(ies) that initially paid for said equipment. The termination of this

Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before June 30, 2004, then this Agreement shall immediately terminate and shall have no further force and effect.

#### 3. NON-PARTNERSHIP ELECTION

- A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.
- Notwithstanding any provisions herein that the right and liabilities of the Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter I, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

#### 4. TRANSFER OF INTEREST

If any instrument purporting to effectuate the sale, assignment or transfer of any interest of a Party in or to the Hawk B-1 Lease, and/or the Southland Royalty "A" Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

## 5. CLAIMS AND LAWSUITS

- A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other party.
- B. Operator may settle any single damage claim of suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.
- C. If the amount required for settlement exceeds the amount hereinabove set out, Operator shall give notice to BP and Chevron of its intent to settle for such higher amount, and if BP and Chevron agree to such higher amount, Operator may settle such claim or suit for such higher amount.

D. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon delegation of such authority by the Parties hereto supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for either Party.

#### 6. TAKING PRODUCTION IN KIND

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the NMFU Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

#### 7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Hawk B-1 Lease	 64.3	2%
Southland Royalty "A" Lease	 35 (	ናጸ%

Each Party shall account for and administer its share of the Existing Burdens attributable to the Hawk B-1 Lease and/or the Southland Royalty "A" Lease based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk B-1 Lease and the Southland Royalty "A" Lease.

## 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the State of New Mexico and Bureau of Land Management. The method used shall be checked for accuracy at least once

#### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

### 10. NOTICES

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

## 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

effective on the trate first above written	
APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By: Cotton Cotton	By: Cet Ct
Printed Name: Kab Johnston Title: Centrol Region Vice President,	Printed Name: Robert C. Hagens SA Title: Attorney - W- Fact Bi
Exploration & Development	THE ATTOMACY THE PARTY
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
Ву:	Ву:
Printed Name:	Printed Name:
Title:	Title:

#### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

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- A. All notices authorized or required by this specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.
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Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

BP AMERICA PRODUCTION COMPA	N.
By:	-
BUREAU OF LAND MANAGEMENT	
By: Printed Name: Title:	
	By: Printed Name; Title: BUREAU OF LAND MANAGEMENT By: Printed Name:

#### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

## 10. NOTICES

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

#### 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By: A A	Ву:
Printed Name: (Rob Johnston	Printed Name:
Title: Centrol Région Vice President, Exploration & Development, V	Title:
exploration a pevelopment (	
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By:	2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Printed Name:	By: Jamy D. Bray Printed Name: LARRY D. BRAY
Title:	Title: ASSISTANT FULL MANAGER LAND OND MINERBL
	THE THE PERSON OF THE PROPERTY

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	Notary Public, St	ate of New Mexi	co

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COUNTY OF TULSA §		
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corporation, on behalf of said corporation.	ral Region, of Apache C	orporation, a Delaware
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TULSA COUNTY  COINM. EMP. 07-28-2004	Notary Public, State	of Oklahoma
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	Notary Public, State of	New Mexico

HARE (NM 4021)

# AMENDMENT TO COOPERATIVE WELL AGREEMENT (for the Hawk B-1 #37 Well)

THIS AGREEMENT, made and entered into this 25<sup>th</sup> day of October, 2004, by and between the undersigned parties hereto:

#### WITNESSETH, THAT

WHEREAS, parties hereto or their predecessors in interest have heretofore entered into a certain Cooperative Well Agreement described as follows:

Cooperative Well Agreement dated 1st day of December, 2003 between Apache Corporation, as Operator, and BP America Production Company and Chevion U.S.A. INC, Non-Operators covering the N/2 SE/4 (Hawk B-1 Lease) and S/2 NE/4 (Southland Royalty "A" Lease) all in Section 9, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

and,

WHEREAS, the undersigned Parties each own undivided operating rights in and to the Hawk B-1 Lease, the Southland Royalty "A" Lease and the oil and gas leasehold estate in the lands affected thereby, and do hereby desire to amend said agreement so as to provide for development of Grayburg and San Andres production as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed that the Cooperative Well Agreement referred to above and any amendments thereof or supplemental agreements pertaining thereto, are hereby amended by deleting therefrom the following, to wit:

#### 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

#### Hawk B-1 #37 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,590' FSL & 1,310' FEL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named opposite their name as follows:

Apache:	67.8400%
BP	16.0800%
Cheyron	16.0800%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

and substituting therefore the following provisions:

#### 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

#### Hawk B-1 #37 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth:

2,590' FSL & 1,310' FEL, Sec. 9, T21S-R37E,

4,350 feet, but in no event below the base of The San Andres Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges; credits and production associated with recompletions of the Cooperative Well to horizons shallower than the San Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	•		67.8400%
BP			
OL		1	1

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual completion and/or commingling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

Except as herein provided, the Cooperative Well Agreement referred to above shall remain in full force and effect in accordance with its terms and provisions.

THIS AGREEMENT shall be effective as of the date of Grayburg and San Andres first production from the Cooperative Well, and shall be binding as to each party executing the same, its successors or assigns, and it may be executed in separate counterparts with like effect as if all parties had executed the same instrument, which shall be considered as an original for all purposes.

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APACHE CORPORATION	•	BP AMEF	ICA PRODUCTION COMPANY	
By: Rob Johnston Vice President Central Region	b.h.	By: Printed No Title:	Inud M Sierra  me: Edmund M. Sierra  Attorney-in-Fact	MBB PLK)
CHEVRON U.S.A. INC.	*	BUREAU	OF LAND MANAGEMENT	
By:		By:	2,000	0 4 2005
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•	•	Notary Pul	blic, State of New Mexico	
Hawk B-1 #37		, , -	Page 3	

APACHE CORPORATION	1	BP AMER	ICA PRODUCTION COMPANY
By: Rob Johnston Vice President Central Region	MM	By: Printed Na Title:	me:
CHEVRON U.S.A. INC.		BUREAU	OF LAND MANAGEMENT
By: C. D. Profui Printed Name: C.D. Fr Title: Horney-in- F	1561e	By:	JAN 0 4 2005  DIE LARRY D. BRAY  LANDS & M. NERALS
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This instrument was by behalf of the Bureau of Land	acknowledged before Authorized Management.		day of, 2004, he Bureau of Land Management on
		Notary Pul	lic, State of New Mexico

Page 3



## United States Department of the Interior

BUREAU OF LAND MANAGEMENT Roswell Field Office 2909 West Second Street Roswell, New Mexico 88201-2019



RECEIVED

JAN 2 0 2004

TULSA: LAND DEPT.

In reply refer to: NMNM111015 3105.1 (06300)

MAN 1 6 2004

Re: Cooperative Well Agreement Hawk B-1 #41 Well Sec.9 – 21S-37E NMPM Lea County, New Mexico

Apache Corporation Attn: Cindy McGee Two Warren Place – Suite 1500 6120 South Yale Tulsa, OK 74136-4224

Dear Ms. McGee:

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #41 well located 2590' FSL & 2630' FWL, Sec. 9, T. 21 S., R. 37 E., Lea County, NM. The Cooperative Well Agreement has been assigned contract No. NMNM11015.

Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as following:

Lease NMNM 90161

80.05%

Fee Lease

10:95%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions please call Mary Lou Ormseth at (503) 627-0258 or Armando Lopez at (505) 627-0248.

Sincerely Yours,

Larry D. Bray

Assistant Field Manager, Lands and Minerals

Enclosure:

1 - Cooperative Well Agreement

## COOPERATIVE WELL AGREEMENT (for the Hawk B-1 #41 Well)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of December, 2003, between BP AMERICA PRODUCTION COMPANY, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP"), CHEVRON U.S.A. INC., whose address is 15 Smith Road, Midland TX 79705 ("Chevron") and APACHE CORPORATION, whose address is Two Warren Place, Suite 1500, 6120 South Yale Avenue, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereafter referred to individually as "Party" and collectively as "Parties".

#### WITNESSETH:

WHEREAS Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the Properties"):

Hawk B-1 Lease -

Lessor:

The United States of America NNI 90161

Lesseer

Estate of Wilbur C. Hawk

Date:

March 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: SE/4NW/4, NE/4SW/4, NW/4 SE/4

Southland Royalty "A" Lease -

Lessor:

Southland Royalty Company, et al

Lessee:

Stanolind Oil & Gas CO.

Date:

September 22, 1942

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: SW/4 NE/4

WHEREAS, Apache has 100% of the operating rights in and to the Southland Royalty "A"

WHEREAS, the Parties each own undivided operating rights in and to the Hawk B-1 Lease; and

WHEREAS, the Parties desire to drill and complete the Hawk B-1 #41 Well ("Cooperative Well") for the production of oil, gas and related hydrocarbons at a non-standard location encroaching on the lease line between SE/4NW/4, NE/4SW/4, NW/4SW/4 and SW/4NE/4 of Section 9 as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said Hawk B-1 #41 Well as described hereinbelow.

NOW THEREFORE, the Parties hereby agree as follows:

## DESIGNATION AND RESPONSIBILITIES OF OPERATOR

- Apache is designated as operator ("Operator") of the Hawk B-1 #41 Well for the purposes of this Agreement.
- Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

#### Hawk B-1 #41 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,590' FSL & 2,630' FWL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"). Solely for purposes of drilling and operating the Hawk B-1 #41 Well, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the Hawk B-1 #41 Well as provided herein. As between the Parties there is and shall be no cross-assignment or other transfer to title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all reasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well. BP and Chevron shall also have the right to audit Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above, shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and cred its to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	59.9750%
BP	20.0125%
Chevron	

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

## 2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so ong as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the

well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before June 30, 2004, then this Agreement shall immediately terminate and shall have no further force and effect.

#### 3. NON-PARTNERSHIP ELECTION

- A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.
- Notwithstanding any provisions herein that the right and liabilities of the Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

#### 4. TRANSFER OF INTEREST

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Hawk B-1 Lease, and/or the Southland Royalty "A" Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

#### 5. CLAIMS AND LAWSUITS

- A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other party.
- B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.
- C. If the amount required for settlement exceeds the amount hereinabove set out, Operator shall give notice to BP and Chevron of its intent to settle for such higher amount, and if BP and Chevron agree to such higher amount, Operator may settle such claim or suit for such higher amount.

D. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement. Operator may upon delegation of such authority by the Parties hereto supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for either Party.

#### 6. TAKING PRODUCTION IN KIND

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the NMFU Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

## 7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Hawk B-1	Lease		.80.05%
		Lease	

Each Party shall account for and administer its share of the Existing Burdens attributable to the Hawk B-1 Lease and/or the Southland Royalty "A" Lease based of such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk B-1 Lease and the Southland Royalty "A" Lease.

## 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the State of New Mexico and Bureau of Land Management. The method used shall be checked for accuracy at least once

#### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

#### 10. NOTICES

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receip Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

## 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By:	By: Rinted Name Robert C. Hogens Title: Attorney-14-Fort Dur  BUREAU OF LAND MANAGEMENT
By:	By:
Printed Name:	Printed Name:
Title:	Title:

#### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

#### 10. NOTICES

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPAN
Printed Name: Hob Johnston  Title: Central Region Vice Presideby, Exploration & Development	By:Printed Name:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: Clarles S. Fright. Printed Name: Clarles D. Fright. Title: A Moracy in Fact	By: Printed Name: Title:

#### 9. TITLE

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- B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

## 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

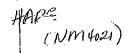
This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERIC	A PRODUCTION COMPANY	
By: At the Office of the Offic	By:		
Printed Name: Gide Johnston Gritle: Central Region Vice President	Printed Name Title:		Posta
Exploration & Development			· · · · · · · · · · · · · · · · · · ·
CHEVRON U.S.A. INC.	BUREAU OF	LAND MANAGEMENT	
Ву:	By: Lary	D. Brond	
Printed Name: Title:	Printed Name: Title: ASSITANT	FIELD MARKER LANGE DOLD IN	NERIL

STATE OF OKLAHOMA	§.	:	•	
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Company, a Delaware corpo	ration, on behalf of sai	d corporation.		
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		Notary	Public, Stat	te of New Me	xico	-



# AMENDMENT TO COOPERATIVE WELL AGREEMENT (for the Hawk B-1 # 41 Well)

THIS AGREEMENT, made and entered into this 25th day of October, 2004, by and between the undersigned parties hereto:

### WITNESSETH, THAT

WHEREAS, parties hereto or their predecessors in interest have heretofore entered into a certain Cooperative Well Agreement described as follows:

Cooperative Well Agreement dated 1st day of December, 2003 between Apache Corporation, as Operator, and BP America Production Company and Chevron U.S.A. INC, Non-Operators covering the SE/4 NW/4, NE/4 SW/4, NW/4 SE/4 (Hawk B-1 Lease) and the SW/4 NE/4 (Southland Royalty "A" Lease) all in Section 9, Township 21 South, Range 37 East, N.M.P.M., Lea County, New Mexico

and,

WHEREAS, the undersigned Parties each own undivided operating rights in and to the Hawk B-1 Lease, and the Southland Royalty "A" Lease and the oil and gas leasehold estate in the lands affected thereby, and do hereby desire to amend said agreement so as to provide for development of Grayburg and San Andres production as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed that the Cooperative Well Agreement referred to above and any amendments thereof or supplemental agreements pertaining thereto, are hereby amended by deleting therefrom the following, to wit:

## 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the Grayburg Formation as follows:

#### Hawk B-1 # 41 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,590' FSL & 2,630' FWL, Sec. 9, T21S-R37E,

4,150 feet, but in no event below the base of The Grayburg Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the Grayburg formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:		50.0750%
		22.2120,10
BP	l	20.0125%
1.7		20,01,2370
Chevron	L	20 0125%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

and substituting therefore the following provisions:

#### 1. DESIGNATION AND RESPONSIBILITY OF OPERATOR

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or Gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

#### Hawk B-1 # 41 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2,590' FSL & 2,630' FWL, Sec. 9, T21S-R37E,

4,350 feet, but in no event below the base of The San Andres Formation plus one hundred (100) feet for operational purposes only.

C. Operator shall establish and maintain a joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the San Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:		59.9750%
BP	l .	
Chevron		20.0125%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual completion and/or commingling operations for the Cooperative Well until this Agreement has been approved by the Authorized Officer of the Bureau of Land Management.

Except as herein provided, the Cooperative Well Agreement referred to above shall remain in full force and effect in accordance with its terms and provisions.

THIS AGREEMENT shall be effective as of the date of Grayburg and San Andres first production from the Cooperative Well, and shall be binding as to each party executing the same, its successors or assigns, and it may be executed in separate counterparts with like effect as if all parties had executed the same instrument, which shall be considered as an original for all purposes.

APACHE CORPORATION	•	BPAMER	ICA PRODUCTION COMPANY
By:  Rob Johnston  Vice President  Central Region	MW	Printed Na	me:
CHEVRON U.S.A. INC.		BUREAU	OF LAND MANAGEMENT
By:		By: Printed Nat Title:	ne:
STATE OF OKLAHOMA §			
COUNTY OF TULSA §	-		
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Company, a Delaware corporation	, on behalf of sai	d corporation	
	.*		
		Notary Pub	lic, State of Texas
STATE OF TEXAS \$ COUNTY OF \$			
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Pennsylvania corporation, on beha	If of said corpora	ation.	or chevioli 0.3.A. ilic., a
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COUNTY OF LEA §	•		
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behalf of the Bureau of Land Mana	igement.		
Hawk B I-41		Notary Publ	c, State of New Mexico
		a*	Page 3

APACHE CORPORATION	BP AMER	ICA PRODUCTION COMPANY	•
Rob Johnston Vice Bresident Central Region	By: <u>Eas</u> Printed Na MW Title:	me: Edmund M. Sierra Attorney-in-Fact	DZÓ DZÓ
CHEVRON U.S.A. INC.	BUREAU	OF LAND MANAGEMENT	
By: Printed Name:	By:	any A bright	N 0 4 2005
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Johnston, Vice President Capital Report of said corporation.  OTA  OTA  IN AND F  STATE O	of St Apache Corporation		
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	Notary Pub	lic, State of New Mexico	

Page 3

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By: Rob Johnston	By:Printed Name:
Vice President Central Region	Title:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: C-B. Fraki Printed Name: C.D. Frighte Title: A Korney-in Ract	By: Jan D. Bray JAN 0 1 2603 Printed Name: LOAKY D. BRAY Title: AFM LANDS VM: NEDALS
STATE OF OKLAHOMA §	
COUNTY OF TULSA §	
This instrument was acknowledged before n Johnston, Vice President Central Region, of Apache of said corporation	this 137 day of November, 2004, by Robe Corporation, a Delaware corporation, on behalf
PUBLIC OF STATE OF ST	Notary Public, State of Oklahoma
STATE OF TEXAS	
COUNTY OF HARRIS §	
	me this day of, 2004, by of BP America Production
Company, a Delaware corporation, on behalf of said	d corporation.
	Notary Public, State of Texas
STATE OF TEXAS § COUNTY OF HARRIS §	
C.D. MISSIE , AttolNE	7 17 - 1 14 C 1 OI OI OI OI OI II II II II II II II II
Pennsylvania corporation, on behalf of said corporation.  CATHY SUE DEVINE MY COMMISSION EXPIRES	dion.
August 11, 2006	Notary Public, State of Texas
STATE OF NEW MEXICO §	
COUNTY OF LEA §	
This instrument was acknowledged before by, Authorized behalf of the Bureau of Land Management.	e me this day of, 2004, d Officer of the Bureau of Land Management on
or the Dations of Land Pranagement.	
Hawk B I-41	Notary Public, State of New Mexico



IN REPLY REFER NM-116237 3105.2 NM (513)

## United States Department of the Interior

BUREAU OF LAND MANAGEMENT ROSWELL FIELD OFFICE 2909 West Second Street Roswell, New Mexico 88201-2019

MAY 1 8 2006

RECEIVED

MAY 2 3 2006

TULSA LAND DEPT.

Apache Corporation Attn: Michelle Hanson 6120 S. Yale, Suite 1500 Tulsa, OK 74136-4224

Re:

Cooperative Well Agreement

Hawk B-1 #43

NW/4 of Section 9, T. 21 S., R. 37 E.

Lea County, New Mexico

Dear Ms Hanson,

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #43 well located in the 1330' FNL, 1495' FWL, Section 9, T, 21 S., R. 37 E., NMPM, Lea County, New Mexico. This agreement has been assigned Contract No. NMNM-116237.

Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as follows:

Lease NMNM 90161

74.44%

Lease NMLC 031741A

25.56%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions, please contact Alexis C. Swoboda at (505) 627-0228 or the Division of Lands and Minerals at (505) 627-0272.

Sincerely,

Larry D. Bray

Assistant Field Manager Lands and Minerals

1 Enclosure:

I - Cooperative Well Agreement

Swoboda: 5/18/2006

## COOPERATIVE WELL AGREEMENT (for the Hawk B-1 # 43 Well)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of May, 2006, between BP AMERICA PRODUCTION COMPANY, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP"), CHEVRON U.S.A. INC., whose address is 11111 S Wilcrest, Houston, TX 77099 ("Chevron") and APACHE CORPORATION, whose address is 6120 South Yale Avenue, Suite 1500, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereafter referred to individually as "Party" and collectively as "Parties".

### WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

1. Hawk B-1 Lease -

Lessor:

The United States of America NM 90161

Lessee:

Estate of Wilbur C. Hawk

Date:

March 1, 1958

Date: March 1, 1

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M.

Section 9: SW/4NE/4NW/4, NW/4SE/4NW/4

2. Hawk A Lease -

Lessor:

The United States of America NM 031741 (a)

Lessee:

Estate of Wilbur C. Hawk

Date:

January 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M. Section 9: SE/4NW/4NW/4, NE/4SW/4NW/4

WHEREAS, the Parties each own undivided operating rights in and to the Hawk B-1, and Hawk A Leases, and

WHEREAS, the Parties desire to drill and complete the Hawk B-1 # 43 Well ("Cooperative Well") for the production of oil, gas and related hydrocarbons insofar as it covers the Grayburg and San Andres formations at a non-standard location encroaching on the lease line between the Hawk B-1 and Hawk A Leases in NW/4 of Section 9, as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said Hawk B-1 # 43 Well as described herein below:

NOW THEREFORE, the Parties hereby agree as follows:

## 1. <u>DESIGNATION AND RESPONSIBILITIES OF OPERATOR</u>

A. Apache is designated as operator ("Operator") of the Hawk B-1#43 Well for the purposes of this Agreement.

B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

#### Hawk B-1 # 43 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 1330' FNL & 1495' FWL, Sec. 9, T21S-R37E

4,400 feet, but in no event below the base of The San Andres Formation plus one hundred (100) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"), specifically including, but not limited to, the insurance and indemnification provisions of that Agreement. Solely for purposes of drilling and operating the Hawk B-1 # 43 Well, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the Hawk B-1 #43 Well as provided herein. As between the Parties there is and shall be no cross-assignment or other transfer to title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all reasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well, BP and Chevron shall also have the right to audit Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the San Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	50.00%
BP	25.00%
Chevron	25.00%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

#### 2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the

well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before April 1, 2007, then this Agreement shall immediately terminate and shall have no further force and effect.

## 3. NON-PARTNERSHIP ELECTION

- A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.
- B. Notwithstanding any provisions herein that the right and liabilities of the Parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Apache is authorized and directed to execute on behalf of each of the Parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United State or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the date required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each Party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each Party hereto further agrees not to give any notices or take any other action inconsistent with election made hereby. If any present or future income tax laws of the state or states in which the property covered by this Agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of Subchapter K is permitted, each of the parties hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the Parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of the partnership taxable income.

## 4. TRANSFER OF INTEREST

If any instrument purporting to effectuate the sale, assignment, or transfer of any interest of a Party in or to the Hawk B-1 Lease or the Hawk A Lease does not expressly provide that such sale, assignment or transfer is made and accepted subject to this Agreement, the purported sale, assignment or transfer of any such interest shall be void.

#### 5. CLAIMS AND LAWSUITS

- A. If any Party is sued on an alleged cause of action arising out of operations covered by this Agreement, it shall give prompt written notice of the suit to the other party.
- B. Operator may settle any single damage claim or suit arising from operations hereunder for any settlement amount not exceeding Thirty-Five Thousand Dollars (\$35,000), provided such payment is in complete settlement of such claim or suit.
- C. If the amount required for settlement exceeds the amount hereinabove set out, Operator shall give notice to BP and Chevron of its intent to settle for such higher amount, and if BP and Chevron agree to such higher amount, Operator may settle such claim or suit for such higher amount.

D. If, in Operator's opinion, such claim or suit is not amenable to or susceptible of settlement, Operator may upon the written consent of the Parties hereto supervise the administration of said claim or suit employing Operator's staff attorneys or other attorneys as it may see fit to do so, provided that the settlement limitations set forth in paragraph 5B shall apply, inclusive of costs and attorney fees incurred by Operator. The fees and expenses of settlement and handling such claim or suit shall be charged to the Joint Account, provided no charge shall be made for services performed by the staff attorneys for either Party.

### 6. TAKING PRODUCTION IN KIND

Each Party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Cooperative Well, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any Party of its proportionate share of the production shall be borne by such Party. Any Party taking its share of production in kind shall be required to pay only for its proportionate share of such part of Operator's surface facilities which it uses. In the event one or more Parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines which on a day-to-day basis for any reason are not exactly equal to a Party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the Parties shall be in accordance with the Gas Balancing Agreement attached to the NMFU Operating Agreement.

In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

## 7. PRODUCTION ALLOCATION AND BURDENS ADMINISTRATION

All royalties, overriding royalty interests, production payments, or similar lease burdens encumbering the Properties which are created and existing as of the effective date hereof are defined as the Existing Burdens. Solely for the payment of such Existing Burdens, all oil, gas and related hydrocarbons produced from or allocated to the Cooperative Well shall be allocated to the Properties as follows:

Hawk B-1 Lease	 . 74.44%
Hawk A Lease	 25 56%

Each Party shall account for and administer its share of the Existing Burdens attributable to the Hawk B-1 Lease and the Hawk A Lease based on such Party's operating rights in said lease(s) insofar and only insofar as to the formation(s) being produced from the Cooperative Well. Further, each Party shall indemnify and hold harmless each other Parties for the payment of its share of such Existing Burdens.

Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk B-1 Lease and the Hawk A Lease.

## 8. MEASUREMENT

Subject to the provisions of Paragraph 6, all oil produced from the Cooperative Well will be measured in accordance with the standard metering practice accepted by the Bureau of Land Management. The method used shall be checked for accuracy at least once every month. All gas

#### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

#### NOTICES

- A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.
- B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

#### 11. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement, and the operations contemplated hereunder, has been approved by the Authorized Officers of the Bureau of Land Management, and the New Mexico Oil Conversation Division. Operator shall be solely responsible for obtaining such approvals. All costs, expenses, and fees associated with obtaining such approvals shall be billed and accounted for pursuant to 1.C. of this Agreement.

12. No director, employee, or agent of either party will give to or receive from any director, employee, or agent of the other party any commission, fee, rebate, gift, or entertainment of significant cost or value in connection with this Agreement. During the term of this Agreement and for 2 years, thereafter, any mutually agreeable representatives authorized by either party may audit the applicable records of the other party solely for the purpose of determining whether there has been compliance with this paragraph. The provisions of this paragraph will survive termination of this Agreement.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By: John Swain Printed Name: John Swain Title: Attorney-In-Fact	Printed Name: E.M. Sierra Title: Attorney-in-Fac!
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: Printed Name: Title:	By:

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APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY
By:	By:Printed Name:
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT
By: D. B. Bull Printed Name: D. A. BREUH Title: ATTORNEY - W-FREE	By:

separated from such oil shall be metered or determined from well test before delivery to the gas purchaser.

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This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

IN WITNESS WHEREOF, the parties have caused the execution of this instrument to be effective on the date first above written

APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY		
By:	By:		
h	*****		
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT		
By:	By: John Sin		
Printed Name:	Printed Name John S. Sinta		
Title:	Title: Acting Assigtant Reld Mar		
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COUNTY OF TULSA	8		•			
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by behalf of the Bureau of Land	Management	umorized	Officer of the	Dureau of La	nd ivianage	ment on
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Notary Public, State of New Mexico

STATE OF OKLAHOMA §	
COUNTY OF TULSA §	
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This instrument was acknowledged before Swain, as Attorney-In-Fact, on behalf of Apach	re me this 13th day of
Notary Public Oklaho	
OFFICIAL SEA SHEILA REXROAD TULSA COUNTY	Shils Keywood
Comm. Exp. 08-24-20	
STATE OF TEXAS §	
COUNTY OF HARRIS §	
This instrument was acknowledged bet	fore me this day of, 2006, by of BP America Production
Company, a Delaware corporation, on behalf of	
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tomisyrvama corporation, on condit or bata sor	J - H
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LUISA GANUNG \$	Notary Public, State of Texas
NOTARY PUBLIC, STATE OF TEXAS OF MY COMMISSION EXPIRES MAY 30, 2008	
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STATE OF NEW ACTION 6	
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This instrument was acknowledged b	
behalf of the Bureau of Land Management.	orized Officer of the Bureau of Land Management on
	Notary Public, State of New Mexico



# United States Department of the Interior RECEIVED

MAY 1 6 2007

TULSA LAND DEPT.

BUREAU OF LAND MANAGEMENT ROSWELL FIELD OFFICE 2909 West Second Street Roswell, New Mexico 88201-2019

IN REPLY REFER NM-118318 3105.2 NM (513)

MAY 1 0 2007

Apache Corporation Attn: Mario R. Moreno, Jr. 6120 S. Yale, Suite 1500 Tulsa, OK 74136-4224

Re:

Cooperative Well Agreement

Hawk B-1 #58

SE/4 of Section 8, T. 21 S., R. 37 E.

Lea County, New Mexico

Dear Mr. Moreno,

Enclosed is an approved copy of the Cooperative Well Agreement for the Hawk B-1 #58 well located at 2620' FSL, 1440' FEL, Section 8, T. 21 S., R. 37 E., NMPM, Lea County, New Mexico. This agreement includes all oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres formation. This agreement has been assigned Contract No. NMNM-118318.

Production and royalties from the referenced well shall be allocated and reported to the Minerals Management Service (MMS) as follows:

Hawk B-1 Lease NM-90161	52.37%
Hawk A Lease LC-031741A	47.63%
Total	100.000%

Please furnish all interested principals with appropriate evidence of this approval.

If you have any questions, please contact Linda Askwig at (505) 627-0237 or the Division of Lands and Minerals at (505) 627-0272.

Sincerely,

Larry D. Bray
Assistant Field Manager

Lands and Minerals

1 Enclosure:

1 – Cooperative Well Agreement

## COOPERATIVE WELL AGREEMENT (for the Hawk B-1 # 58 Well)

This Cooperative Well Agreement ("Agreement"), is entered into and is effective as of the 1st day of May, 2007, between BP AMERICA PRODUCTION COMPANY, whose address is 501 Westlake Park Blvd., Houston, TX 77079 ("BP"), CHEVRON U.S.A. INC., whose address is 11111 S Wilcrest, Houston, TX 77099 ("Chevron") and APACHE CORPORATION, whose address is 6120 South Yale Avenue, Suite 1500, Tulsa, Oklahoma 74136 ("Apache"). BP, Chevron, and Apache are sometimes hereafter referred to individually as "Party" and collectively as "Parties".

#### WITNESSETH:

WHEREAS, Apache is Operator of the following oil and gas leases in Lea County, New Mexico (hereinafter sometimes collectively referred to as the "Properties"):

1. Hawk B-1 Lease -

Lessor: The United States of America NM 90161

Lessee: Estate of Wilbur C. Hawk

Date: March 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M. Section 8: NE/4NW/4SE/4, NW/4NE/4SE/4

2. Hawk A Lease -

Lessor: The United States of America NM 031741 (a)

Lessee: Estate of Wilbur C. Hawk

Date: January 1, 1958

Description: Insofar and only insofar as same covers the following-described

land in Lea County, New Mexico:

Township 21 South, Range 37 East, N.M.P.M. Section 8: SE/4SW/4NE/4, SW/4SE/4NE/4

WHEREAS, the Parties each own undivided operating rights in and to the Hawk B-1, and Hawk A Leases, and

WHEREAS, the Parties desire to drill and complete the Hawk B-1 #58 Well ("Cooperative Well") for the production of oil, gas and related hydrocarbons insofar as it covers the Grayburg and San Andres formations at a non-standard location encroaching on the lease line between the Hawk B-1 and Hawk A Leases in NW/4 of Section 9, as described below; and

WHEREAS, the Parties desire to provide for the sharing of production from and the costs of drilling, completing and operating said Hawk B-1 # 58Well as described herein below.

NOW THEREFORE, the Parties hereby agree as follows:

#### DESIGNATION AND RESPONSIBILITIES OF OPERATOR

- A. Apache is designated as operator ("Operator") of the Hawk B-1 #58Well for the purposes of this Agreement.
- B. Operator shall drill, complete and operate the Cooperative Well for oil and/or gas production from horizons encountered from the surface of the earth down to and including the base of the San Andres Formation as follows:

#### Hawk B-1 # 58 Well:

SURFACE LOCATION: Lea County, New Mexico, Planned Total Depth: 2620' FSL & 1440' FEL, Sec. 8, T21S-R37E,

4,200 feet, but in no event below the base of The San Andres Formation plus one hundred (150) feet for operational purposes only.

Except as otherwise provided in this Agreement, the Parties agree that all operations, and the rights and obligations of the Parties, with respect to the Cooperative Well shall be governed by the terms and conditions of that certain NMFU Operating Agreement dated September 1, 1989, as amended to date (hereinafter referred to as the "NMFU Operating Agreement"), specifically including, but not limited to, the insurance and indemnification provisions of that Agreement. Solely for purposes of drilling and operating the Hawk B-1 #58 Well, Exhibit A-1 to the NMFU Operating Agreement is amended to cover the Hawk B-1 #58Well as provided herein. As between the Parties there is and shall be no cross-assignment or other transfer to title to any interests of the Parties in the Properties as a result of this Agreement. This Agreement is merely a contractual arrangement among the Parties to drill, equip, test, operate and produce the Cooperative Well. BP and Chevron shall, at their sole cost and risk, have access to the Cooperative Well location at all reasonable times to inspect or observe operations and to information pertaining to the development and operation of the Cooperative Well. BP and Chevron shall also have the right to audit Operator's books and records relating thereto in accordance with the applicable provisions of Exhibit "C" - Accounting Procedure, attached to the NMFU Operating Agreement. Operator, upon request, shall furnish BP and Chevron copies of all forms or reports filed with governmental agencies, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available to BP and Chevron samples of any cores or cuttings taken from the Cooperative Well. The cost of gathering and furnishing information to BP and Chevron, other than that specified above shall be charged to BP and Chevron.

C. Operator shall establish and maintain a Joint Account for the performance hereof, and shall advance all costs incurred in connection with operating the Cooperative Well and shall charge the Joint Account for all such costs on the basis provided in Exhibit "C" - Accounting Procedure, NMFU Operating Agreement. All charges and credits to the Joint Account for the Cooperative Well shall be borne, and production therefrom will be shared, including but not limited to charges, credits and production associated with recompletions of the Cooperative Well to horizons shallower than the San Andres formation, by the below named Parties in the percentage shown opposite their name as follows:

Apache:	 50.00%
BP	 25.00%

All other operations conducted or wells drilled on the lands described above not related to the Cooperative Well, will not be affected by this Agreement.

If any provision of Exhibit "C" - Accounting Procedure is inconsistent with any provision in this Agreement, the provisions of this Agreement shall prevail.

#### 2. TERM OF AGREEMENT

This Agreement shall remain in full force and effect so long as such Cooperative Well continues to produce oil or gas or both, and for an additional period of ninety (90) days from cessation of all production; provided, however, if, prior to the expiration of such additional period, the Parties are engaged in drilling or reworking operations to restore production from the Cooperative Well hereunder, this Agreement shall continue in force until such operations have been completed, with no cessation of more than sixty (60) consecutive days, and if production results there from, this Agreement shall continue in force as provided herein. Upon cessation of the production of oil or gas or both, Operator shall plug and abandon the Cooperative Well in accordance with all rules and regulations of all governmental agencies having jurisdiction over the premises at the cost, risk, and expense of the Parties, and shall salvage all equipment in and on the

well for the account of the Party(ies) that initially paid for said equipment. The termination of this Agreement shall not relieve any of the parties from any liability which has accrued hereunder prior to the date of such termination.

Notwithstanding anything to the contrary contained elsewhere in this Agreement, if the actual drilling operations for the Cooperative Well are not commenced on or before January 31, 2008, then this Agreement shall immediately terminate and shall have no further force and effect.

## 3. NON-PARTNERSHIP ELECTION

- A. Under no circumstances shall this Agreement be construed as creating a partnership, mining partnership or an association for profit between or among the Parties hereto. The liability of the Parties shall be several and not joint or collective. Each Party shall be liable only for the costs incurred and the risks assumed by each respective Party in connection with the performance of this Agreement.
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In the event any Party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil produced from the Cooperative Well, Operator shall have the right, subject to the revocation at will by the Party owning it, but not the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking Party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously delivered to a purchaser. Any purchase or sale by Operator of any other Party's share of oil shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

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Hawk B-1 Lease	52.37%
Hawk A Lease	47.63%

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Acceptance of the payment of such Existing Burdens by the owners thereof shall never be construed as approval or ratification of a pooling, unitization, or communitization of the Hawk B-1 Lease and the Hawk A Lease.

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### 9. TITLE

This Agreement is not intended as a conveyance of any interest whatsoever in real property owned or controlled by the Parties, but is merely a contractual arrangement between the Parties to operate the Cooperative Well and share the production and costs thereof.

## 10. NOTICES

A. All notices authorized or required by this Agreement, unless otherwise specifically provided, shall be deemed to have been given when it is received by the Party to whom addressed if it is given in writing by Certified Mail, Return Receipt Requested, or telegram, postage or charges prepaid, and addressed to the parties to whom the notice is given at the addresses listed above.

B. Each Party shall have the right to change its address at any time and from time to time by giving written notice thereof to the other Parties.

## 1. PRE-COMMENCEMENT APPROVALS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, Operator shall not commence actual drilling operations for the Cooperative Well until this Agreement, and the operations contemplated hereunder, has been approved by the Authorized Officers of the Bureau of Land Management, and the New Mexico Oil Conversation Division. Operator shall be solely responsible for obtaining such approvals. All costs, expenses, and fees associated with obtaining such approvals shall be billed and accounted for pursuant to 1.C. of this Agreement.

This Agreement is freely assignable and shall extend to and be binding on the successors and assigns of the Parties hereto.

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

IN WITNESS WHEREOF, the parties have caused the execution of this instrument to be effective on the date first above written

APACHE CORPORATION		BP AMERICA PRODUCTION COMPANY		
M	By:	By: F.M. Sierra Printed Name: E.M. Sierra Title: Aftorney-in-fact		
,	CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT		
	By: Printed Name: Title:	By:		

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#### TITLE 9.

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APACHE CORPORATION	BP AMERICA PRODUCTION COMPANY			
By: John Sumin	By:Printed Name:			
Title: Attorney-in-Fact	Title:			
CHEVRON U.S.A. INC.	BUREAU OF LAND MANAGEMENT			
By: C.D. Passe Printed Name: C.D. Frisher	By:Printed Name:			
Title: 4- Horney - In - Fac	Title:			

STATE OF OKLAHOMA	§	• ,	t	•	• •
COUNTY OF TULSA	8				
This instrument was Attorney-in-Fact Central Reg corporation.	acknowledged bef ion, of Apache Co	ore me this rporation, a	3 day of Ma Delaware co	y, 2007, by rporation, o	John Swain as n behalf of said
My Commission British	Williny Public Oklahor OPFICIAL SEAI SHEILA REXROAD TULSA COUNTY Comm. Exp. 08-24-20		hula y Public, Sta	te of Oklah	val oma
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COUNTY OF HARRIS	§	•			
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Company, a Delaware corpor	ration, on helpalf,	f said corpo	ration.	-	
My Commission Expires:	SATE OF THE STREET	Notar	hut M y Public, Sta	Smith te of Texas	
STATE OF TEXAS	§	•		· . •	
COUNTY OF HARRIS	§ §		1	•	
This instrument was	acknowledged be	fore me thi	s day o		, 2007, by
Pennsylvania corporation, or	behalf of said co	poration.			
My Commission Expires:					
		Notar	y Public, Sta	te of Texas	
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STATE OF NEW MEXICO	Ş				
COUNTY OF LEA	§ §				
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My Commission Expires:					
		Notar	y Public, Sta	te of New N	Mexico

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COUNTY OF TULSA	8			
This instrument was a Attorney-in-Fact Central Reg corporation.	acknowledged before ion, of Apache Corpe	e me this 3 day of I oration, a Delaware	May, 2007, by Joh corporation, on be	n Swain as half of said
My Commission Exp	Noisry Public Oklaho OFFICIAL SEA SHEILA REXROAI TULSA COUNTY Comin Exp. 08-24-20	Notary Public, S	State of Oklahoma	
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STATE OF TEXAS	§			
COUNTY OF HARRIS	§ §		. •	•
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Company, a Delaware corpor	ation, on behalf of s	aid corporation.		
My Commission Expires:	* ************************************			
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COUNTY OF HARRIS	§		,	
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LUISA GANUNG NOTARY PUBLIC, STATE OF TI MY COMMISSION EXPIRES MAY 30, 2008	FYAG X	Notary Public, S	State of (Texas	
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This instrument was bybehalf of the Bureau of Land	, Authoriz	ore me thised Officer of the Br		, 2007, agement on
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