

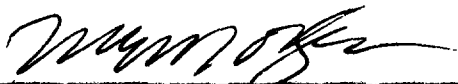
CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF
SUPPLEMENTAL AND AMENDATORY AGREEMENT TO
MALJAMAR COOPERATIVE REPRESSURING AGREEMENT
(Supplement No. 4)
I Sec. No. 341

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated December 1, 1959, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to State lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes. Said Supplemental and Amendatory Agreement to the Maljamar Cooperative Repressuring Agreement shall become effective as of the first day of the month following approval by the Secretary of the Interior or his duly authorized representative.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 23rd day of December, 1959.



Commissioner of Public Lands
of the State of New Mexico

The within instrument entitled "Supplemental and Amendatory Agreement to Maljamar Cooperative Repressuring Agreement (Supplement No. 4) I-Sec. 341", New Mexico, dated December 1, 1959, is hereby approved.

Date Approved FEB 5 1960

Wesley A. Skelton
Secretary of the Interior

SUPPLEMENTAL AND AMENDATORY AGREEMENT TO
MALJAMAR COOPERATIVE REPRESSURING AGREEMENT

(Supplement No 4)

I Sec. No 341

THIS AGREEMENT, made and entered into as of the 1st day of December, 1959, by and between the parties subscribing, ratifying or consenting hereto and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, on the 5th day of August, 1941, an agreement entitled "Maljamar Cooperative Repressuring Agreement" was made and entered into by and between certain parties owning oil and gas leasehold interests within the cooperative area, hereinafter described, which said agreement was approved by the Secretary of the Interior on September 29, 1941; and,

WHEREAS, said agreement was supplemented and amended by the parties thereto as of July 22, 1944, and approved by the Secretary of the Interior on March 1, 1945, being an agreement entitled "Supplement to Maljamar Cooperative Repressuring Agreement (Supplement No.1);" and,

WHEREAS, said agreement was further supplemented and amended by a certain agreement made and entered into by and between the parties thereto as of October 25, 1949, and approved by the Secretary of the Interior on March 9, 1950, and by the Commissioner of Public Lands of the State of New Mexico on May 11, 1950, which said agreement was entitled "Supplement and Amendments to Maljamar Cooperative Repressuring Agreement (Supplement No. 2;" and,

WHEREAS, said agreement was further supplemented and amended by a certain agreement made and entered into by and between the parties

thereto as of November 16, 1953, and approved by the Secretary of the Interior on the 11th day of February, 1954, and by the Commissioner of Public Lands of the State of New Mexico, on the 28th day of June, 1954, which said agreement was entitled "Supplemental and Amendatory Agreement to Maljamar Cooperative Repressuring Agreement (Supplement No. 3);" and,

WHEREAS, the parties to said Maljamar Cooperative Repressuring Agreement, hereinafter referred to as "Maljamar Cooperative Agreement" and supplements and amendments thereto, acting under and pursuant to the provisions thereof, have heretofore constructed and operated a certain gas gathering system, compressors, gasoline plant and residue gas high pressure return system for the return of gas to input wells located within the cooperative area, hereinafter described, for pressure maintenance and other purposes and said parties have sold said gathering system, compressors, gasoline plant, high pressure residue return system and all other equipment and personal property used in connection therewith to the Continental Oil Company, one of the parties hereto, effective date of this Supplemental and Amendatory Agreement to the Maljamar Cooperative Agreement; and,

WHEREAS, the said Continental Oil Company has entered into certain casinghead gas contracts with each of the other parties signatory hereto under the terms of which Continental agrees to purchase and process the casinghead gas and to return the residue gas or so much thereof as may be necessary for pressure maintenance purposes and the parties are desirous of amending said Maljamar Cooperative Agreement as heretofore supplemented and amended to provide for the separate operation of said gathering system, compressors, gasoline plant and other equipment; and,

WHEREAS, some of the parties hereto are the owners and holders of certain leasehold interests within the cooperative area

hereinafter described which have not heretofore been committed to said Maljamar Cooperative Agreement and are desirous of committing all of their leasehold interests within the cooperative area to said agreement as supplemented and amended; and,

WHEREAS, due to the fact that most of the provisions of the said Maljamar Cooperative Agreement have been supplemented and amended by the three supplemental agreements, above referred to, the parties hereto are desirous of incorporating all of the previous supplements and amendments together with additional supplements and amendments into one instrument.

NOW, THEREFORE, in consideration of the premises, it is mutually agreed by and between the parties hereto that the Maljamar Cooperative Repressuring Agreement of August 5, 1941, as heretofore supplemented and amended, shall be and the same is hereby further supplemented and amended so that the following articles, as hereinafter set forth, shall be substituted for the original Maljamar Cooperative Agreement and all supplements and amendments thereto.

I

ENABLING ACT AND REGULATIONS: The Mineral Leasing Act of February 25, 1920, as amended (41 Stat. 437, 30 U.S.C., Secs. 181 et seq.) and all valid pertinent regulations, including operating and cooperative plan regulations, heretofore issued thereunder, or valid, pertinent and reasonable regulations hereafter issued thereunder, are accepted and made a part of this agreement as to federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-federal lands the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico, are hereby accepted and made a part of this agreement.

II

COOPERATIVE AREA: The following described land is hereby designated and recognized as constituting the cooperative area:

Township 17 South, Range 32 East, N.M.P.M.
Lea County, New Mexico:

Sections 14 to 23, inclusive
Sections 25 to 35, inclusive

Township 17 South, Range 33 East, N.M.P.M.
Lea County, New Mexico

West Half (W/2) Section 30

containing 13,786.66 acres, more or less

There is attached hereto, as Exhibit "A", a map showing the cooperative area, the classes of land involved, the boundaries of the respective leasehold interests within said area, and the tract numbers corresponding to the tract numbers shown on Exhibit "B" attached hereto. Exhibit "B" is a schedule describing the leasehold interests within the cooperative area and showing the ownership thereof. Exhibits "A" and "B" may be revised by the Operators Committee whenever changes in the cooperative area render such revisions necessary or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner," and not less than seven copies of the revised exhibits shall be filed with the Supervisor and one copy thereof shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission."

III

SUBSTANCES UNITIZED AND TO BE PRODUCED COOPERATIVELY: All oil, gas and associated hydrocarbon substances produced from any leasehold within the cooperative area committed to this agreement shall be subject to the provisions hereof and all casinghead gas produced and used for pressure maintenance or secondary recovery purposes shall be considered as unitized and shall be subject to general allocation as herein provided and such gas is hereinafter referred to as "unitized substance."

All development and operations except pressure maintenance and secondary recovery operations which are to be conducted cooperatively pursuant to this agreement shall be conducted and managed by each lessee but each lessee hereby agrees not to produce from any well at a higher gas-oil ratio than the Operators Committee shall stipulate.

IV

OPERATORS COMMITTEE: An Operators Committee is hereby created, hereinafter referred to as the "Operators Committee," consisting of one member to be appointed by each of the parties hereto having a leasehold interest committed hereto and a producing well or wells located thereon. Any member appointed or elected to serve on the Operators Committee may be changed from time to time by the owner or owners of such leasehold interest appointing a new member and by notifying in writing the other members of the Operators Committee or the other parties hereto owning leasehold interests committed to this agreement of such action. Where any leasehold interest described as a separate tract on Exhibit "B" attached hereto is owned by more than one person or corporation the owners of such tract shall designate a representative to represent such owners and to serve on the Operators Committee.

The Operators Committee shall act upon and determine all matters properly coming before the Committee with regard to pressure maintenance and secondary recovery operations which are to be conducted pursuant to the terms of this agreement. All matters shall be determined by a vote of the members of the Operators Committee and each member of the Committee shall be entitled to a vote equal to the proportion that the number of 40-acre proration units, each having located thereon a producing or input well committed to this agreement

and represented by such member, bears to the total number of such 40-acre units within the cooperative area committed to this agreement. Except as herein otherwise provided, a vote of the majority percentage interest of the owners shall be binding upon all of the parties hereto; provided, however, should the interest of any one of the parties hereto constitute a majority interest, the vote of at least one other member of the Operators Committee shall be required in addition to the vote of the representative of such majority interest.

It shall be the duty of the Operators Committee to plan, coordinate, direct, supervise and manage all pressure maintenance and secondary recovery operations which may be carried on upon the cooperative area as well as any other operations which may be authorized by this agreement and said Operators Committee shall have full power and authority to do and perform every act and thing necessary or required to carry out to all intents and purposes the objects and purposes hereof, including but not limited to the following:

A. To adopt rules and regulations for its proper functioning, including the selection of the time and place for holding meetings, the calling thereof, and the manner of taking votes on any question.

B. To meet at the call of the Chairman or any member of the Operators Committee for the purpose of considering any business affecting the cooperative area subject hereto

C. To provide for the allocation of unitized gas to be injected into wells within the cooperative area for purposes of pressure maintenance and secondary recovery operations.

D. To promote the economical and efficient recovery of oil, gas and other hydrocarbon substances cooperatively produced from the cooperative area through the operation of pressure maintenance, water-floods and other secondary recovery projects. To enter into contracts, leases or other agreements necessary or required to construct, operate, and maintain proper pressure maintenance and water flood facilities and equipment.

All costs and expenses incurred by the Operators Committee in connection with operations conducted pursuant to the terms of this agreement shall be apportioned among and borne by the parties hereto in accordance with an operating agreement entered into by and between the parties hereto, hereinafter referred to as the "cooperative operating agreement," which agreement shall provide for the accounting procedure to be followed in connection with all operations hereunder.

V

LEASEHOLD INTERESTS COMMITTED: All lands within the cooperative area not heretofore committed to the terms of this agreement which are now owned or operated by any of the parties hereto shall be and are hereby committed to this agreement and the parties hereto agree to commit any lands within the cooperative area which may hereafter be owned or operated by such parties in the manner hereinafter provided subject to the approval of the Operators Committee.

VI

EXPANSION OF COOPERATIVE AREA: The cooperative area may be expanded to embrace lands contiguous to the cooperative area with the approval of the Director of the United States Geological Survey, hereinafter referred to as "Director," and the Commissioner and upon ratification and consent of the terms and conditions of this agreement and such operating agreement as may be agreed to by and between the parties hereto and all of the owners of the leasehold interests being committed.

VII

ALLOCATION OF PRODUCTION: All unitized gas produced from any leasehold committed to the cooperative area shall be subject to sale by the respective owners of interests of the leasehold from which produced but so long as the use of all or any portion of said gas is necessary or required to operate and maintain a pressure maintenance project for the benefit of the entire cooperative area the Operators Committee may require so much of the residue gas after being processed as may be necessary to be returned by allocation

for pressure maintenance purposes to such leaseholds as the Operators Committee may direct, the general allocation of such unitized gas to be determined from time to time by the Operators Committee so as to promote the greatest ultimate recovery of oil, gas and other hydrocarbon substances from the cooperative area.

VIII

NATURAL GASOLINE, OTHER PRODUCTS AND RESIDUE GAS: As of the effective date of this Supplemental and Amendatory Agreement, Continental Oil Company, hereinafter referred to as "Continental," one of the parties hereto, is to be the owner of the gasoline plant, gathering system, compressors and high pressure return system returning residue gas to input wells heretofore operated for pressure maintenance purposes within the cooperative area. Each of the parties hereto, other than the Continental, has entered into a casinghead gas contract with the said Continental which shall also be effective as of the effective date of this Supplemental and Amendatory Agreement under the terms of which all gas produced from the respective leasehold interests committed to the cooperative area is to be sold to Continental. Each of the parties hereto, as such a seller, authorizes the Operators Committee to take delivery of so much of the residue gas as the Operators Committee determines, from time to time, to be necessary in connection with pressure maintenance operations being conducted hereunder; provided, however, the residue gas produced from any zone or zones included in any pressure maintenance project shall, insofar as practicable, be returned to such zone or zones and if it is necessary, in the discretion of the Operators Committee in carrying on any pressure maintenance project, to use residue gas produced from any zone which is not included within such project, the gas so produced and used shall be paid for by the Operators Committee at the prevailing price being paid for residue gas at the plant and the proceeds shall be

distributed as any other residue gas sale proceeds are distributed when made pursuant to the casinghead gas contracts above referred to and, in addition, the Operators Committee shall pay the compression charge as provided in said contracts or such other compression charge as may be mutually agreed upon by the Operators Committee and Continental; and, provided further, that when and if all residue gas is not required for pressure maintenance purposes then the Operators Committee shall receive such gas proportionately from the gas delivered by each party hereto to Continental.

In connection with the operation of said plant, gathering such gas, compressing and returning the same for injection to the cooperative area, each party hereto hereby grants unto Continental, insofar as each said party has the power so to do, all such rights-of-way or easements for said gathering of gas, the extraction of products, the compression of gas, and the return of high pressure gas to the injection wells within the cooperative area.

IX

TAXES: The Operators Committee shall attend to the rendition for the payment of any ad valorem taxes assessed against any property owned and operated cooperatively hereunder.

X

RIGHT OF PARTIES TO INSPECT PROPERTY AND RECORDS: The following specific rights, privileges and obligations of the Operators Committee are hereby expressly provided, but not by way of limitation or exclusion of any other rights, privileges and obligations of the respective parties:

- a. The Operators Committee shall have access to the entire cooperative area subject hereto at all reasonable times, to inspect and observe operations of every kind and character upon the property.
- b. The Operators Committee shall have access, at all reasonable times to any and all information pertaining to wells drilled, production secured, oil marketed, and to books, records, and vouchers relating to the operation of said cooperative area subject hereto.

c. Operators of leases shall upon request, furnish the Operators Committee true and complete copies of well logs, tank tables, daily gauge and run tickets, and reports of stock on hand at the first of each month, and shall also, upon request, make available samples and cuttings from any and all wells drilled by them in the cooperative area subject hereto.

XI

PRESSURE MAINTENANCE AND SECONDARY RECOVERY OPERATIONS:

For the purpose of conserving the natural resources and of securing the greatest ultimate practical recovery of oil and gas in the cooperative area, all casinghead gas produced from properties subject hereto except gas used for development and operations or unavoidably lost shall be dedicated to the return, insofar as practicable, to the Grayburg and San Andres oil producing formations and any other producing formations of the cooperative area which the Operators Committee may determine with the approval of the Supervisor, Commissioner and Commission should be included in a pressure maintenance project or projects. Each lease owner shall equip all wells subject hereto with conventional field separators in a manner approved by the Operators Committee for the separation of oil and gas and all casinghead gas or so much thereof as may be necessary subject to processing as herein provided shall be dedicated to pressure maintenance and secondary recovery operations.

The Operators Committee shall supervise the injection of gas into any producing formation, determine injection pressures and rates, control input wells located within the cooperative area and do such other things as are appropriate for effectively operating and controlling a proper injection program.

The Operators Committee may, with the approval of the Supervisor, Commissioner and Commission, inaugurate, maintain and expand from time to time a water flood project or projects for the purpose of obtaining the greatest ultimate recovery of oil and gas from any

producing formation within the cooperative area and said Committee shall determine, subject to the approval of the Supervisor, Commissioner and Commission where such approval is required, the location of all injection wells and the amount of water to be injected in any well or wells and shall have the right to purchase, contract for, develop or otherwise acquire water for water flooding operations and to construct, maintain and operate all supply lines, pumps, water lines and other facilities and equipment which may be necessary or required in connection with any such operation and all costs in connection with any such water flood project shall be borne by the parties hereto as may be mutually agreed upon and provided for in any cooperative operating agreement which may be entered into by the parties hereto in connection with this agreement.

XII

RENTAL SETTLEMENT: Rental or minimum royalties due on leases committed hereto shall be paid by the working interest owners responsible therefor under existing contracts, laws and regulations; provided nothing herein contained shall operate to relieve the lessees or any land from their respective lease operations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico land subject to this agreement shall be paid at the rate specified in the respective leases.

With respect to any committed lease on privately owned lands containing provisions which would terminate such lease unless drilling

operations were within the time therein specified commenced upon the lands covered thereby or rentals paid for the privilege of deferring such drilling operations, the rental required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof until oil or gas is being produced from some part of the lands embraced therein.

XIII

ROYALTY SETTLEMENT: Each party hereto shall pay all royalties, overriding royalties, production payments or other burdens created in connection with any leasehold interest committed to this agreement.

Royalties due the United States and the State of New Mexico and to other lessors shall be paid by the respective owners of leasehold interests committed hereto at the rates and in the manner specified in the respective leases. Settlement for all royalties shall be made by the respective owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for oil and gas produced during the preceding calendar month.

It is expressly understood and agreed that beginning at the end of the respective 20-year terms, or any extension thereof other than that provided in Section XV (b) hereof, of any federal leases containing provisions for the payment of a five per cent rate of royalty to the United States, the royalty rate on all such leases not committed to this agreement prior to the effective date of this amendment (Supplement #4) shall be the same rate as would be applicable to renewal leases in the absence of said Maljamar Cooperative Agreement as amended.

XIV

CONSERVATION: Operations hereunder and production of oil and gas from the leasehold interest committed to the cooperative

area shall be conducted in a manner to provide for the most economical and efficient recovery of oil and gas without waste as defined by or pursuant to state or federal law or regulation.

XV

LEASES CONFORMED TO AGREEMENT: The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to federal leases and the Commissioner as to state leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of federal and state leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(b) Any federal lease for a term of twenty years, or any renewal thereof, or any portion of such lease which is made subject to this agreement, shall continue in force beyond the term provided therein until the termination hereof. Any other federal lease committed hereto shall continue in force beyond the term so provided

therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this agreement prior to the expiration date of the term of such lease.

(c) Each sublease or contract relating to the operation and development of oil and gas from lands of the United States, committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(d) The segregation of any federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954, (68 Stat. 583, 585): "Any (federal) lease hereafter committed to any such plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(e) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect

beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are capable of being produced in paying quantities from some part of the lands (either within or without the cooperative area) embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

XVI

COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest.

XVII

EFFECTIVE DATE AND TERM: This Supplemental and Amendatory Agreement shall become effective as of the first day of the month following approval by the Commissioner and the Secretary of the Interior or their duly authorized representatives and shall remain in effect so long thereafter as pressure maintenance or water flood or other secondary recovery operations are conducted pursuant to the terms hereof; provided, however, this agreement may be terminated at

any time by an affirmative vote of the Operators Committee, with the approval of the Commissioner and the Director, upon making a finding or a determination that such pressure maintenance, water flood or other secondary recovery operations within the cooperative area subject hereto are not successful or are impracticable, such determination to be made by a vote of the Operators Committee taken as provided in Article IV hereof.

XVIII

RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any federal or state statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director shall only be exercised after notice to the Operators Committee and opportunity for hearing to be held not less than fifteen days from notice.

XIX

EXISTING AGREEMENTS NOT CANCELLED: The parties hereto and all parties consenting to this agreement agree that this agreement shall not cancel or supersede the existing leases, drilling and operating agreement, overriding royalty agreements, or other agreements affecting the cooperative area owned or held by the parties subscribing or consenting hereto, and the same shall continue in full force and effect except to the extent that they, or any one or more thereof, are in conflict with the provisions of or are modified by this agreement; and in case of conflict between this agreement and any one or more of said leases, drilling and operating agreements, overriding royalty agreements or other agreements, the provisions of this agreement during its effectiveness shall govern and control, and such other agreements shall be and the same are hereby modified and amended accordingly.

XX

SUSPENSION OF OBLIGATIONS: Anything in this agreement, or any portion thereof, or in said leases, drilling and operating agreements, overriding royalty agreements or any other agreement or agreements to the contrary notwithstanding, it is hereby expressly agreed that the obligations of the holder or holders of rights signatory hereto under such leases, drilling and operating agreements, overriding royalty agreements, or any other agreement or agreements, shall be suspended to the extent that performance is prevented by weather conditions, strikes, lockouts, acts of God, or calamitous visitations, unavoidable accidents, rules and regulations of federal, state or other governmental agency under asserted authority, or for any cause beyond the control of the respective owners of operating rights signatory hereto.

XXI

NOTICES: All notices or demands to be given hereunder to parties signatory hereto or consenting hereto, or statements to be

rendered, may be given by mail to addresses set forth in connection with signatures hereto and to consents hereof, provided that any change in address shall be binding upon the Operators Committee if given by registered mail to said Committee.

XXII

NO WAIVER OF CERTAIN RIGHTS: Nothing in this agreement contained shall be construed as a waiver by any party signatory hereto or consenting to this agreement of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State of New Mexico, of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

Nothing in this agreement may be construed to permit anyone to do anything to jeopardize the validity of the leases.

Nothing in this instrument shall be construed to increase or decrease the authority of the Secretary of the Interior acting through the Supervisor or otherwise to control and direct the operations under any lease of federal lands made subject hereto.

XXIII

STATUS OF PARTIES AND SUBSEQUENT JOINDER: Nothing in this agreement contained, implied or contemplated shall create or be deemed to have created a partnership, joint venture or joint association of the parties signatory hereto or any of them.

Any owner or owners of the entire working interest in and to any leasehold interest embracing lands within the cooperative area may join in this agreement and commit such lands hereto by executing a counterpart hereof at any time within one year from the effective date of this Supplemental and Amendatory Agreement and executing any cooperative operating agreement which may have been entered into between the parties hereto in connection with this

agreement. Thereafter, any party or parties owning such a working interest in lands within the cooperative area may join this agreement and commit such interest hereto only upon such terms and conditions as the Operators Committee may determine with the approval of the Commissioner and the Director. The period of one year for subsequent joinder provided hereinabove may be shortened or terminated by an affirmative vote of the Operators Committee and approval of the Commissioner and the Director.

XXIV

WARRANTY OF TITLE: Each of the parties hereto except the United States and the State of New Mexico warrants and agrees to defend the title to the rights and interests committed by the respective parties to this agreement as shown on Exhibit "B" attached hereto.

XXV

COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described cooperative area.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

CONTINENTAL OIL COMPANY

By

W. T. Fleming
24th Feb 1954

JK

Date Signed:

12-18-59

Attest:

Glenn D. Caskey
Asst. Secretary

CARPER DRILLING COMPANY, INC.

By J. Marshall Reuley
Vice President

Date Signed:

12-22-59

Zula Cockburn
Zula Cockburn

Date Signed:

12-22-59

Attest:

Barleyman
Asst. Secy

DRILLING AND EXPLORATION COMPANY, Inc.

By R. H. Bone
Vice President

Date Signed:

12-18-59

Attest

FAIR N & N TRUST

By Geo. W. Arnold
Trustee

Date Signed:

12-21-59

Attest:

Sam Bryant

FAIR OIL COMPANY

By R. W. Fair

Date Signed:

12-21-59

R. W. Fair
R. W. Fair

Date Signed:

Attest:

GULF OIL CORPORATION

By _____

Date Signed:

Attest:

KEWANEE OIL COMPANY

By _____

Date Signed:

H. H. King

Date Signed:

Tommie Knight Calley, Administrator
of Estate of James F. Knight

Date Signed:

12-21-59

Jewell Smith
Jewell Smith

Date Signed:

12-21-59

Leon C. Smith
Leon C. Smith

Date Signed:

12-18-59

Virginia Sears and Mary Jo Vandiver
Virginia Sears and Mary Jo Vandiver, Individually and as Co-Executrixs of the Estate of Ross Sears, deceased.

Date Signed:

12-18-59

Mrs. E. G. Woods
Mrs. E. G. Woods

Date Signed:

12/18/59

Virginia Woods Shaw
Virginia Woods Shaw

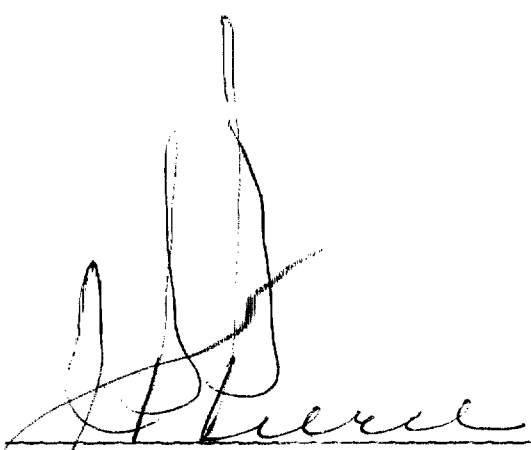
Date Signed:

12-18-59

Mary Katherine Fowles
Charlotte Woods Runyan
Emily Ray, Trustee for Emily Katherine Flint and Rosemary Flint

By

Jack B. Shaw
Jack B. Shaw
Attorney-in-Fact for Mary Katherine Fowles, Charlotte Woods Runyan, and Emily Ray, as Trustee for Emily Katherine Flint and Rosemary Flint.


By _____

Date Signed: Attest:
12-21-59 _____

Date Signed: Attest: _____
_____ _____ By _____

Date Signed: Attest: _____
_____ _____ By _____

Date Signed: Attest: _____
_____ _____ By _____

Date Signed: Attest: _____
_____ _____ By _____

Date Signed: Attest: _____

STATE OF Texas }
COUNTY OF Tarrant } ss.

The foregoing instrument was acknowledged before me this 21 day of December, 1959, by _____ of Continental Oil Company, a Delaware corporation on behalf of said corporation.

My Commission Expires:
6-1-61

Quendolyn L. Miller
Notary Public

STATE OF New Mexico }
COUNTY OF Eddy } ss.

The foregoing instrument was acknowledged before me this 12th day of December, 1959, by Marshall Rowe, Vice President of Carper Drilling Company, Inc., a New Mexico corporation on behalf of said corporation.

My Commission Expires:
1-28-63

Leon M. Seachriston
Notary Public

STATE OF Texas }
COUNTY OF Bexar } ss.

The foregoing instrument was acknowledged before me this 22 day of December, 1959, by Zula Cockburn _____

My Commission Expires:
5-31-61

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this 23 day of _____, 1959, by _____ of _____ Drilling and Exploration Company, a _____ corporation on behalf of said corporation.

My Commission Expires:
6-

Lova L. Ringley
Notary Public

STATE OF New Mexico }
COUNTY OF Eddy } ss.

The foregoing instrument was acknowledged before me this 18th day of December, 1959, by Mrs W. Amate, Trustee of Fair N & N Trust, a _____ corporation on behalf of said corporation.

My Commission Expires:
1-28-63

Leon M. Seachriston
Notary Public

STATE OF Texas }
COUNTY OF Smith } ss.

The foregoing instrument was acknowledged before me this 21st
day of December, 1959, by R. W. Fair,
President of Fair Oil Company, a Texas
corporation on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF Texas }
COUNTY OF Smith } ss.

The foregoing instrument was acknowledged before me this 21
day of December, 1959, by R. W. Fair

My Commission Expires:

Notary Public

STATE OF Texas }
COUNTY OF Smith } ss.

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

My Commission Expires:

Notary Public

STATE OF Texas }
COUNTY OF Smith } ss.

The foregoing instrument was acknowledged before me this _____
day of _____, 19____, by _____,
_____ of Kewanee Oil Company, a _____
corporation on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF Texas }
COUNTY OF Smith } ss.

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

My Commission Expires:

Notary Public

STATE OF New Mexico }
COUNTY OF Townsend } ss.

The foregoing instrument was acknowledged before me this _____
day of March, 1957, by Leon C. Smith _____

My Commission Expires:
6-1-61

Gwendolyn L. Miller
Notary Public

STATE OF New Mexico }
COUNTY OF Eddy } ss.

The foregoing instrument was acknowledged before me this 18
day of March, 1957, by Virginia Sears and Mary Jo Vandiver,
Individually and as Co-Executrixs of the Estate of Ross Sears,
deceased.

My Commission Expires:
1-28-63

Don M. Heathington
Notary Public

STATE OF New Mexico }
COUNTY OF Eddy } ss.

The foregoing instrument was acknowledged before me this 12th
day of December, 1959, by Virginia Woods Shaw _____

My Commission Expires:
1-28-63

Don M. Heathington
Notary Public

STATE OF New Mexico }
COUNTY OF Eddy } ss.

The foregoing instrument was acknowledged before me this 12th
day of December, 1959, by Jack B. Shaw, Attorney-in-Fact for
Mary Katherine Fowles, Charlotte Woods Runyan, and Emily Ray, as
Trustee for Emily Katherine Flint and Rosemary Flint.

My Commission Expires:
1-28-63

Don M. Heathington
Notary Public

STATE OF New Mexico }
COUNTY OF Eddy } ss.

The foregoing instrument was acknowledged before me this 18
day of March, 1959, by Mrs. E. G. Woods.

My Commission Expires:
1-28-63

Don M. Heathington
Notary Public

STATE OF Texas }
COUNTY OF Tarrant } ss.

The foregoing instrument was acknowledged before me this 21
day of December, 1959, by Jewell Smith _____

My Commission Expires:
6-1-61

Gwendolyn L. Miller
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

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

My Commission Expires:

Gwendolyn L. Miller
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

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

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

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

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

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

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

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

My Commission Expires:

Notary Public

Date Signed: _____ Attest: _____ CARPER DRILLING COMPANY, INC.
By _____

Date Signed: _____
Zula Cockburn

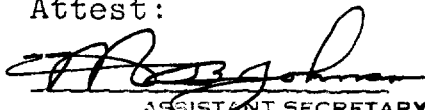
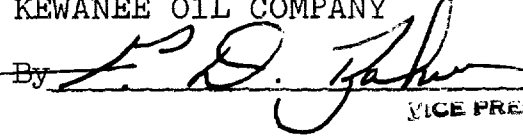
Date Signed: _____ Attest: _____ DRILLING AND EXPLORATION COMPANY
By _____

Date Signed: _____ Attest: _____ FAIR N & N TRUST
By _____

Date Signed: _____ Attest: _____ FAIR OIL COMPANY
By _____

Date Signed: _____
R. W. Fair

Date Signed: _____ Attest: _____ GULF OIL CORPORATION
By _____

Date Signed: 12.18.59 Attest:  KEWANEE OIL COMPANY
By  VICE PRESIDENT
ASSISTANT SECRETARY

Date Signed: _____
H. H. King

Date Signed: _____
Tommie Knight Calley, Administrator
of Estate of James F. Knight

STATE OF }
COUNTY OF } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of Fair Oil Company, a _____ corporation on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF }
COUNTY OF } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by R. W. Fair _____

My Commission Expires: _____

Notary Public

STATE OF }
COUNTY OF } ss.

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

My Commission Expires: _____

Notary Public

STATE OF *Oklahoma* }
COUNTY OF *Tulsa* } ss.

The foregoing instrument was acknowledged before me this *18th* day of *December*, 19*59*, by *F. D. BAKER* VICE-PRESIDENT of Kewanee Oil Company, a *Delaware* corporation on behalf of said corporation.

My Commission Expires: _____

My Commission Expires June 4, 1963

Marjorie J. Brophy
Marjorie J. Brophy Notary Public

STATE OF }
COUNTY OF } ss.

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

My Commission Expires: _____

Notary Public