

KELLAHIN, KELLAHIN and AUBREY

Tract Two:

Tract 2 consists of federal oil and gas minerals vested in the United States of America, subject to federal oil and gas lease NM-66846 segregated out of NM-041698-A effective January 1, 1986.

SUMMARY OF LEASEHOLD ESTATE

Tract One: Sec. 11: SW/4
 Sec. 14: N/2 of the NW/4
 Sec. 15: E/2 of the NE/4 | 320 acres ±

<u>Name</u>	<u>Gross</u>	<u>NRI</u>
O'Brien Goins Simpson Exploration Company	92.812498% working interest	79.72656%
*Walter Duncan	3/16 of 9/40th ORR	4.21875%

1/160 of 320 acres
 2 net acres

A. J. Hammer Estate:		
Mary Hammer (widow)	1/4 of 1/160th	Unleased .0015625
Deanna Christensen	1/4 of 3/4th of 1/160	Unleased .001171875
David M. Hammer	1/4 of 3/4th of 1/160	Unleased .001171875
Robert J. Hammer	1/4 of 3/4th of 1/160	Unleased .001171875
Mary K. Hammer	1/4 of 3/4th of 1/160	Unleased .001171875 .00625
Ben E. Taylor	1/8 of 71/640	1.3867187%
G. B. Holman Estate:		
Amanda E. Holman (widow)	1/64th	Unleased leased 11-17-87 5yrs
G. B. Holman, Jr.	-0-	
Amanda Jewell Wells	-0-	
Schumacher Oil Company	1/8 of 60% of 71/640 ORR	0.8320312%
Phyllis Jane Wesson	1/8 of 15% of 71/640 ORR	0.2080078%
Margaret Anne Eaton	1/8 of 15% of 71/640 ORR	0.2080078%
James A. Crutchmer, Jr.	1/8 of 10% of 71/640 ORR	0.1386718%
Emma Frances Rushton Estate	3/5 of 3/160	Unleased leased
George E. Shaw, Jr.	40% of 2/5 of 3/160	Unleased 6-16-89
Cecia Wood Shaw	10% of 2/5 of 3/160	Unleased } leased 5-3-89
Harry Thomas Shaw	40% of 2/5 of 3/160	Unleased }
Sara Strawder Shaw	10% of 2/5 of 3/160	Unleased }

ELLAHIN, KELLAHIN and AUBREY

Catherine Sanders Marital Deduction Trust	3/16 of 2/3 of 1/80 ORR	0.1562499%	
Robert Sanders Residuary Trust	3/16 of 1/3 of 1/80 ORR	0.0781248%	
John Singleton	1/8 of 1/32 ORR	0.390625%	
Richard Singleton	1/8 of 1/32 ORR	0.390625%	
Monta Ruth Bilberry Parks	1/8 of 3/16th	2.34375%	
Grace Bilberry Dean	1/8 of 3/16th	2.34375%	leased
Mary Ruth Singleton	1/32	Unleased	2-4-88
T. F. Singleton Estate	1/8 of 1/32 ORR	0.390625%	

* Before Payout

Tract Two: Sec. 14: 1/2 of the NW/4,

Working Interest: SW/4

Murphy Operating Corporation (Recorded Title Owner)	55.00%	Farmout
Hanover Petroleum Corporation	-0-	
Earl A. Latimer	1.00%	Join
Tom L Ingram	18.00%	WI
The Wiser Oil Company	25.00%	WI- Join
J. E. Cieszinski	1.00%	0.50% WI- Farmout
Patrick J. F. Gratton	0.50%	WI
	<hr/>	
	100.00%	

Royalty and Overriding Royalty Interests

USA	12.5%	Royalty
Mary and Jack McCaw	1.5%	ORR
Robert S. and Nora Helen McCaw	1/2 of 1%	ORR
W. H. and Sara J. Kirkpatrick	0.4%	ORR
Margaret K. Davey	0.4%	ORR
T. A. Kirkpatrick	0.4%	ORR
M. R. Kirkpatrick	0.4%	ORR
Annie K. Williams	0.4%	ORR
John M. and Phyllis Tittle	2%	of 1/8 of 8/8th ORR
Peter L. (deceased) and Vida Wentz	3%	of 1/8 of 8/8th ORR
Ben A. and Dorothy Copass, Jr.	4.602%	of 1/8th of 8/8th ORR
Joe A. (deceased) and Jean Warren	2.6%	of 1/8 of 8/8th ORR
	<hr/>	
	18.02525%*	

*Exceeds 17.5% Maximum Burden allowed

SURFACE

Tract One

The surface of this Tract is held 1/2 by John Singleton and 1/2 by Richard Singleton.

Tract Two

Unknown from information examined.

PATENT INFORMATION

Tract One

United States of America issued patent dated July 29, 1920 to Esau Bilberry included surface and minerals but excluding ditches, waterways and vested water rights. Surface now held by John and Richard Singleton. (Abstract page 2)

Tract Two

United States of America issued a patent dated October 3, 1924 to Florence Bales for the captioned tract and other lands reserving coal and other minerals and subject to water rights. (Abstract page 252)

EASEMENTS

This opinion is limited to the mineral and oil and gas leasehold estates. However the BLM plat book shows no easements or rights of way of record affecting the W/2 of Section 14.

ENCUMBRANCES

There is an unreleased judgment lien of record against Tom Ingram and Joan L. Ingram, dated March 3, 1988, and filed by Halliburton Company in the principal amount of \$97,932.00.

There are numerous gas purchase agreements and operating agreements affecting various interests in the Federal Lease in Tract Two, none of which we have examined.

Taxes

Tract One:

Property taxes have been paid in full through the first half of 1987.

SUMMARY OF ATTEMPTS TO LOCATE
THE HAMMER FAMILY

- 9-15-87 - Called Springfield, MO information - no listings for any of family
- 9-18-87 - Called Walter Duncan regarding Duncan, Inc. interest, asked if he knew family - negative
- 9-23-87 - Called Leo Schumacher regarding his interest, asked if he knew - negative
- 9-30-87 - Sent letter to last address in Springfield, Mo - letter returned
- 10-8-87 - Called Cue Lipscomb regarding his interest - asked if he knew - negative
- 11-11-87 - Called G. B. Holman in Mt. Vernon, asked if he knew - negative
- 3-11-88 - Sent letter, return receipt requested, returned unknown
- 7-13-88 - Sent letter to all mineral interest owners regarding present address - no response
- 10-19-88 - Discovered old addresses in Illinois from abstracts - called Mt. Vernon, Effingham and Champaign/Urbana information - negative
- 10-19-88 - Called Tax Assessor - Eddy Co., NM - discovered records kept in Santa Fe - called Santa Fe Central Records - was informed they don't keep those records since purchasers pay taxes for owners

September 30, 1987

David M. Hammer
454 S. Main Street
Springfield, MO 65806

*Notarized
10/12/87
Not at that
address.*

Re: SW/4, Sec. 11; N/2NW/4, Sec. 14;
E/2NE/4, Sec. 15, T-8-S, R-37-E
Roosevelt County, New Mexico
(Bluitt Area)

Dear Mr. Hammer:

A check of the records in Roosevelt County, New Mexico indicates that you, Mary Hammer, Alan J. Hammer, Deanna J. Christensen, John E. Christensen, Jr., Robert J. Hammer and Mary K. Hammer own 1.0 mineral acres in the SW/4 of Section 11, 0.50 mineral acres in the N/2NW/4 of Section 14, and 0.50 mineral acres in the E/2NE/4 of Section 15, Township-8-South, Range-37-East.

O'Brien Goins Simpson Exploration is interested in purchasing these minerals at the rate of \$200.00 per mineral acre. A draft in the amount of \$400.00 is enclosed, along with a Mineral Deed.

If you wish to sell your mineral interest, please all the parties sign the Mineral Deed and have their signatures notarized. Each party should endorse the draft like a check attach the signed and notarized Mineral Deed to the draft and deposit it in the Collection Department of the bank of your choice. They will forward it to our bank for payment.

If you are not interested in selling your interest, O'Brien Goins Simpson Exploration is leasing in these sections. We are offering \$35.00 per acre with a 1/8th royalty for a five (5) year paid up lease. Please contact me at the number below and I will forward the Oil and Gas Lease to you along with a draft for the Oil and Gas Lease Bonus.

Thank you for your consideration.

Sincerely,

O'BRIEN GOINS SIMPSON EXPLORATION

Jan Foust

JF/slm
Enclosure

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OGS OPERATING COMPANY, INC.

1140 TWO FIRST CITY CENTER
MIDLAND, TEXAS 79701

(915) 682-6373

March 11, 1988

DAVID M. HAMMER, MARY HAMMER,
ALAN J. HAMMER, ROBERT J. HAMMER,
DEANNA J. CHRISTENSEN, JOHN E.
CHRISTENSEN AND MARY K. HAMMER
424 S. Main St.
Springfield, MO 65806

Re: Section 11: SW/4
Section 14: N/2NW/4
Section 15: E/2NE/4
Township-8-South, Range-37-East
Roosevelt County, New Mexico
(Bluitt Prospect NM015)

Gentlemen:

This letter, together with the attached copies of an Authority for Expenditure, Operating Agreement and Oil and Gas Lease is intended as notice of our intention to drill a well on the N/2NW/4 of Section 14 to a depth adequate to test the San Andres Formation or to a depth of 4,750 feet, whichever is the shallower.

The estimated total cost to drill and complete this well is \$224,000.00 as shown on the attached Authority for Expenditure, (AFE).

The following proposals are made for your consideration. Your interest in the captioned acreage is as follows:

	Your Net Acres
Section 11: SW/4	1.00
Section 14: N/2NW/4	0.50
Section 15: E/2NE/4	0.50
Total Net Acres	2.00

Proposal No. 1:

You may lease your interest to O'Brien Coins Simpson Exploration Company on the following basic terms. Lease and draft are attached.

Bonus \$35.00 per acre x 2.00 net acres = \$ 74.00
1/8th Royalty
Three (3) year paid up primary term

Should you decide to lease please sign the lease, have your signature notarized and endorse the draft. Then deposit both with your

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DAVID M. HAMMER, ET AL
March 11, 1988
Page 2

bank for collection.

Proposal No. 2:

You may join in and pay your share of the cost of drilling of the proposed well. In order to drill this well OGS is proposing the formation of a 320 acre working interest unit being the W/2 of Section 14. Your interest in this 320 acres unit is 0.00156250 and your share of the estimated cost to drill the well is \$350.00.

Should you decide to join, please sign and return one copy of the AFE and the signature pages to the Operating Agreement.

Should you decide not to lease or join OGS will initiate compulsory pooling with the New Mexico Oil and Gas Commission. If your interest is pooled we will be entitled to receive 7/8ths of your production, if any, until we have recovered your entire share of the cost of the well, plus an additional 200% risk penalty. Should the well produce you will be entitled only to receive 1/8th of your interest until we recover the cost of the well plus risk penalty out of production. If the well produces enough to payout as described, you would then be a working interest owner in the well as if you had joined and would be liable for your share of all expenses in connection with continued operation of the well.

Please call if you have any questions.

Yours truly,

OGS OPERATING COMPANY, INC.

Thom O'Brien / slm

Thom O'Brien

TO'B/slm
Enclosures

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DRILLING OR WORKOVER AFE

AFE NO. _____

- WILDCAT DEVELOPMENT WORKOVER
 DRILLING DRILLING SAME ZONE
 COMPLETION COMPLETION NEW ZONE
 RE-ENTRY RE-ENTRY P & A

LSE. NO. _____

W.I. _____

EST. NET COST _____

AFE DATE 3-1-88

LEASE #		DEPTH & FORM	4650' San Andres
WELL NO.	Bilberry		
LOCATION	800' FNL & 660' FWL, Sec. 14, T-8-S, R-37-E,		
COUNTY & STATE	Roosevelt Co, New Mexico	FIELD	Bluicc
OPERATOR	OGS Operating Co., Inc.	SPUD DATE	1988

INTANGIBLE WELL COST

	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1	Access, Location & Roads	5,000	2,000	
2	Rig Move			
3	Footage Cost	41,900		
4	Day Work Cost 7 acys at 3600	7,200		
5	Bits & Reamers	-		
6	Fuel	-		
7	Water	4,000	1,500	
8	Mud & Chemicals	2,000	-	
9	Cementing & Service	2,500	6,000	
10	Coring	-	-	
11	Surveying & Testing	13,500	1,500	
12	Mud Logging	1,600	-	
13	Perforating	-	1,500	
14	Stimulation	-	4,000	
15	Transportation	-	-	
16	Drilling Overhead & Supervision	4,000	4,000	
17	Equipment Rental	-	2,000	
18	Completion Rig 6 acys at 1000	-	6,000	
19	Other Drilling Expense	2,500	3,000	
20	Contingencies (10% of Intangibles)	8,900	3,200	
21	Insurance	4,700		
22				
23	TOTAL INTANGIBLES	97,600	34,700	

TANGIBLE WELL COST

24	0' " Conductor Casing			
25	150' 0' 8-5/8 " Surface Casing	3,500		
26	0' " Intermediate Casing			
27	0' " Intermediate Casing			
28	0' " Intermediate Casing			
29	4650' 0' 5-1/2 " Production Casing		31,300	
30	0' " Tie-Back Casing			
31	4650' 0' 2-3/8 " Tubing		9,500	
32	0' " Tubing			
33	0' " Tubing			
34	Liner Equipment			
35	Wellhead Equipment	600	600	
36	Producing facilities, tank battery, flowline		45,000	
37	Packers & Other Subsurface Tools			
38	Contingencies (10% of Tangibles)			
39				
40				
41	TOTAL TANGIBLES	4,100	87,400	
42	TOTAL WELL COST	101,700	122,100	224,000

COMPANY APPROVAL

By	Date								

JOINT OPERATOR APPROVAL

Firm DAVID M. HAMMER By _____ Title _____ Date _____

Date _____

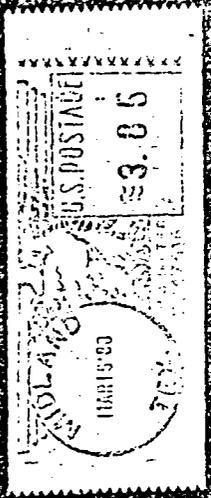
Date _____

Date _____

Date _____

Date _____

Date _____



Claim Check No. 971542

Hold

Date

1ST Notice

2ND Notice

Return

Detached from PS Form 3849-A, Oct. 1985

OGS OPERATING COMPANY, INC.

1140 Two First City Center
MIDLAND, TEXAS 79701



TO

~~David Hammer, Mary Hammer, Alair Hammer
Robert Hammer, Deanna Christensen, John
Christensen and Mary Hammer
424 S. Main Street
Springfield, MO 65806~~

Handwritten scribbles and markings.

CERTIFIED

P 167 618 821

MAIL

PS Form 3811, July 1983

SENDER: Complete items 1, 2, 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- 1. Show to whom, date and address of delivery.
- 2. Restricted Delivery.

3. Article Addressed to:
DAVID M. HAMMER, MARY HAMMER, ALAN J. HAMMER, ROBERT J. HAMMER, DEANNA J. CHRISTENSEN, JOHN E. CHRISTENSEN & MARY K. HAMMER--424 S. Main St. Springfield, MO 65806

4. Type of Service:	Article Number
<input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 167 618 821

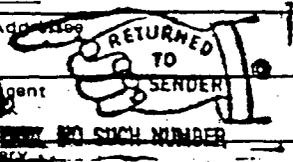
Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
X

6. Signature - Agent
X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)



DOMESTIC RETURN REQ

11

July 13, 1988

TO ALL MINERAL INTEREST OWNERS

Re: Section 11: SW/4
Section 14: N/2NW/4
Section 15: E/2NE/4
Roosevelt County, NM
(Bluitt NM015)

Mineral Interest Owner:

O'Brien Goins Simpson Exploration Company recently took Oil and Gas Leases from all of the mineral owners in the captioned area except the following:

Mary Hammer, Alan J. Hammer,
Deanne and John Christenson,
David M. Hammer, Robert J. Hammer
and Mary K. Hammer
454 S. Main Street
Springfield, MO 65806

The address shown, which was obtained from the county records, is no longer correct. All our correspondence was returned to us.

If anyone has any information regarding a current address for any of the Hammers, please contact me at the address shown.

Sincerely,

O'BRIEN GOINS SIMPSON EXPLORATION

Jan Foust

JF/slm

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O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

1140 TWO FIRST CITY CENTER
MIDLAND, TEXAS 79701

(915) 682-6373

October 14, 1987

Mr. Tom Ingram
Box 1757
Roswell, NM 88202

Re: NM041698A
W/2SE/4, S/2NW/4 & SW/4 of Section
14, W/2NE/4 & NW/4 of Section 15,
T-8-S, R-37-E, NMPM
Roosevelt County, New Mexico.
(Bluitt Area NM015)

Dear Mr. Ingram:

O'Brien Goins Simpson Exploration Company is interested in obtaining an Assignment of Operating Rights on your interest in the 560 acres described above.

We would like to propose \$50.00 per acre bonus for an 80% net revenue interest assignment with a two (2) year term and 180 day continuous development clause at the end of the term.

If you are not interested in an outright assignment, we would like to request a 77% net revenue interest farmout on the captioned with a 180 day continuous development provision. We would commence a well 120 days from final execution of the agreement.

If you have any questions, please don't hesitate to call.

Thank you for your consideration.

Sincerely,

O'BRIEN GOINS SIMPSON EXPLORATION


Jan Foust

JF/slm

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OGS OPERATING COMPANY, INC.

1140 TWO FIRST CITY CENTER
MIDLAND, TEXAS 79701

(915) 682-6373

March 11, 1988

TOM INGRAM
Box 1757
Roswell, NM 88202

Re: Proposed Working Interest Unit
W/2, Section 14, T-8-S, R-37-E
Roosevelt County, New Mexico
(Bluitt Prospect NM015)

Gentlemen:

This letter together with the attached copies of an AFE and Operating Agreement is intended as notice of our intention to drill a well on the N/2NW/4 of Section 14 to a depth adequate to test the San Andres Formation or to a depth of 4,750 feet, whichever is the shallower.

Our proposals are as follows:

1. You may farm out your interest in the W/2 of Section 14 to O'Brien Goins Simpson Exploration Company, (OGSE). Should you elect to farm out, OGSE will earn 100% of your interest in the W/2 of Section 14 by drilling the above described well. You will deliver an assignment of your interest reserving an overriding royalty equal to the difference between existing burdens and 25%.

Should you want to farm out, please contact me and I will prepare an Agreement.

2. You may sign a copy of the attached AFE and signature pages to the Operating Agreement and return them to OGS Operating Company, Inc. as an indication of your election to join in the proposed working interest unit.

Should you elect not to join or farm out, OGS Operating Company, Inc. plans to initiate compulsory pooling of the referenced acreage at its earliest opportunity.

Yours truly,

OGS OPERATING COMPANY, INC.

Thom O'Brien

TO'B/slm
Enclosures

14

OGE DRILLING, INC.

DRILLING OR WORKOVER AFE

AFE NO. _____

- | | | |
|-------------------------------------|--------------------------------------|------------------------------------|
| <input type="checkbox"/> WILDCAT | <input type="checkbox"/> DEVELOPMENT | <input type="checkbox"/> WORKOVER |
| <input type="checkbox"/> DRILLING | <input type="checkbox"/> DRILLING | <input type="checkbox"/> SAME ZONE |
| <input type="checkbox"/> COMPLETION | <input type="checkbox"/> COMPLETION | <input type="checkbox"/> NEW ZONE |
| <input type="checkbox"/> RE-ENTRY | <input type="checkbox"/> RE-ENTRY | <input type="checkbox"/> P & A |

LSE. NO. _____

W. I. _____

EST. NET COST _____

AFE DATE 3-1-88

LEASE & WELL NO. <u>Bilberry</u>	DEPTH & FORM <u>4650' San Andres</u>
LOCATION <u>800' FNL & 660' FWL, Sec. 14, T-8-S, R-37-E,</u>	
COUNTY & STATE <u>Roosevelt Co, New Mexico</u>	FIELD <u>Bluitt</u>
OPERATOR <u>OGS Operating Co., Inc.</u>	SPUD DATE <u>1988</u>

INTANGIBLE WELL COST				
	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1	Access, Location & Roads	5,000	2,000	
2	Rig Move			
3	Footage Cost	41,900		
4	Day Work Cost <u>2 days at 3600</u>	7,200		
5	Bits & Reamers	-		
6	Fuel	-		
7	Water	4,000	1,500	
8	Mud & Chemicals	2,000	-	
9	Cementing & Service	2,500	6,000	
10	Coring	-	-	
11	Surveying & Testing	13,500	1,500	
12	Mud Logging	1,600	-	
13	Perforating	-	1,500	
14	Stimulation	-	4,000	
15	Transportation	-	-	
16	Drilling Overhead & Supervision	4,000	4,000	
17	Equipment Rental	-	2,000	
18	Completion Rig <u>6 days at 1000</u>	-	6,000	
19	Other Drilling Expense	2,500	3,000	
20	Contingencies (10% of Intangibles)	8,900	3,200	
21	Insurance	4,700		
22				
23	TOTAL INTANGIBLES	97,800	34,700	

TANGIBLE WELL COST				
24	' Of " Conductor Casing			
25	<u>350' Of 8-5/8</u> " Surface Casing	3,500		
26	' Of " Intermediate Casing			
27	' Of " Intermediate Casing			
28	' Of " Intermediate Casing			
29	<u>4650' Of 5-1/2</u> " Production Casing		31,800	
30	' Of " Tie-Back Casing			
31	<u>4650' Of 2-3/8</u> " Tubing		9,800	
32	' Of " Tubing			
33	' Of " Tubing			
34	Liner Equipment			
35	Wellhead Equipment	600	800	
36	Producing facilities, Tank Battery, Flowline		45,000	
37	Packers & Other Subsurface Tools			
38	Contingencies (10% of Tangibles)			
39				
40				
41	TOTAL TANGIBLES	4,100	87,400	
42	TOTAL WELL COST	101,900	122,100	224,000

COMPANY APPROVAL

By	Date								

JOINT OPERATOR APPROVAL

Firm TOM INGRAM By _____ Title _____ Date 15

P 167 618 751

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S.G.P.O. 1984-448-014

PS Form 3800, Feb. 1982

Sent to Tom Ingram	
Street and No. Box 1757	
P.O., State and ZIP Code Roswell, NM 88202	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3811, July 1983

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1, 2, 3 and 4.
Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- Show to whom, date and address of delivery.
- Restricted Delivery.

3. Article Addressed to:
Tom Ingram
Box 1757
Roswell, NM 88202

4. Type of Service:	Article Number
<input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 167 618 751

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
X

6. Signature - Agent
M. Cochran

7. Date of Delivery
3-16-88

8. Addressee's Address (ONLY if requested and fee paid)

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BUF

5-11-88 Ingram will F/O
same basis as Murphy

April 21, 1988

Mr. Tom L. Ingram 505-622-3630
Box 1757
Roswell, NM 88202

Re: Proposed Farmout to
Working Interest Unit
W/2 of Section 14
Township-8-South, Range 37-East
Roosevelt County, New Mexico.
(Bluitt NM015)

Dear Mr. Ingram:

By letter dated March 11, 1988, I forwarded to you an AFE and an Operating Agreement as a proposal to drill a San Andres test well on the W/2 of Section 14.

I also, at that time, made a proposal for you to farm out your interest in the W/2 of Section 14.

Since I made this proposal I have reached a verbal agreement with Murphy Operating Corp. to farm out their interest on the following basic terms:

1. O'Brien Goins Simpson Exploration Company, (OGSE), agrees to commence the drilling of a test well on the N/2NW/4 of Section 14 on or before November 1, 1988 and drill it to at least a depth of 4,650 feet or to a depth sufficient to test the San Andres Formation, whichever is the lesser depth.
2. If the test well is completed as a well capable of producing in paying quantities, then OGSE will earn an assignment of all of your interest in the proration unit for such well. In the assignment you will reserve an overriding royalty interest equal to the difference between existing burdens and twenty-five percent (25%). Upon payout of the test well you will have the option to convert your overriding royalty interest to a twenty-five percent (25%) working interest. The overriding royalty interest and the working interest to which it may be converted shall be proportionately reduced to your interest in the W/2 of Section 14.
3. OGSE has the option to commence an additional well(s) on the W/2 of Section 14 within 180 days of completion of the preceding well (should the proration unit for the test well is less than 320 acres).

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TOM L. INGRAM
April 21, 1988
Page 2

Should the foregoing seem acceptable to you, please let me know, of course you are certainly entitled to join if you want to. Thank you for your time.

Very truly,

O'BRIEN GOINS SIMPSON EXPLORATION

Thom O'Brien

PHONE-O-GRAM® for: *Tom*

Tom Ingram of _____

Telephoned Returned your call Came In
 Will call again Please return the call See me

Message: *I will go along with same prospect that Murphy made in Roosevelt Co. NM*

Phone _____ Date *5/11* Time *5:02* By *T*

TO'B/slm

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September 9, 1988

Mr. Tom L. Ingram
Box 1757
Roswell, NM 88202

505-622-3630

Halliburton Judgement
3-3-88 \$97,932.00

Re: Farmout Agreement
Dated August 1, 1988
W/2 of Section 14
Township-8-South, Range 37-East
Roosevelt County, New Mexico.
(Bluitt NM015)

Dear Mr. Ingram:

Enclosed is a copy of the referenced agreement in final form with an extra set of signature pages for you and your wife to sign and return to me.

If you have any questions, please call me.

9-20-88: Ingram has Agmt.
He will contact Halliburton
About Judgement

Very truly,
O'BRIEN GOINS SIMPSON EXPLORATION

9-29-88: Nothing from Halliburton
He is working on it.

Thom O'Brien

10-24-88: Went to Roswell visited with Ingram
No Progress w/Halliburton

TO'B/slm
Enclosures

Region: West Texas and Eastern New Mexico - 5

Oil Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
1987	1986	Over	Not Over	1987		1986		1987		1986	
			But	Average	Median	Average	Median	Average	Median	Average	Median
			or	or Mean		or Mean		or Mean		or Mean	
201	155	0-	5,000	\$ 3,017	\$ 3,000	\$ 2,827	\$ 3,000	\$ 300	\$ 300	\$ 292	\$ 300
154	140	5,000-	10,000	3,867	3,650	3,632	3,586	374	365	362	350
71	50	10,000-	15,000	4,961	4,901	4,583	4,500	475	475	459	450
23	13	15,000-	20,000	5,807	5,700	5,037	4,500	526	570	488	450
11	8	20,000		6,067	5,744	5,027	4,392	565	574	532	578
37	37	No Depth	Limit	5,047	5,297	4,374	4,000	521	535	422	400

Gas Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
1987	1986	Over	Not Over	1987		1986		1987		1986	
			But	Average	Median	Average	Median	Average	Median	Average	Median
			or	or Mean		or Mean		or Mean		or Mean	
132	110	0-	5,000	\$ 3,255	\$ 3,000	\$ 2,937	\$ 3,000	\$ 313	\$ 300	\$ 299	\$ 300
107	94	5,000-	10,000	3,898	3,550	3,624	3,500	360	360	364	350
51	36	10,000-	15,000	4,963	4,870	4,637	4,500	477	487	454	450
21	11	15,000-	20,000	5,815	5,500	4,657	4,500	566	575	494	450
10	7	20,000		6,099	5,500	4,832	4,392	558	600	522	578
32	29	No Depth	Limit	4,900	5,297	4,250	4,000	522	535	444	425

Region: Gulf Coast - 6

Oil Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
1987	1986	Over	Not Over	1987		1986		1987		1986	
			But	Average	Median	Average	Median	Average	Median	Average	Median
			or	or Mean		or Mean		or Mean		or Mean	
113	83	0-	5,000	\$ 4,131	\$ 4,000	\$ 3,256	\$ 3,200	\$ 396	\$ 375	\$ 360	\$ 350
144	100	5,000-	10,000	4,763	4,500	4,280	4,375	477	450	454	450
81	49	10,000-	15,000	6,075	5,894	5,430	5,250	617	580	531	531
37	13	15,000-	20,000	6,990	7,000	5,513	5,250	708	666	582	575
20	7	20,000		6,840	6,900	5,697	6,350	762	700	615	660
64	38	No Depth	Limit	6,308	6,017	5,956	5,670	648	611	608	610

Gas Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
1987	1986	Over	Not Over	1987		1986		1987		1986	
			But	Average	Median	Average	Median	Average	Median	Average	Median
			or	or Mean		or Mean		or Mean		or Mean	
86	66	0-	5,000	\$ 4,386	\$ 4,000	\$ 3,443	\$ 3,500	\$ 424	\$ 400	\$ 379	\$ 385
121	92	5,000-	10,000	4,803	4,880	4,310	4,500	480	450	460	450
82	57	10,000-	15,000	6,149	5,930	5,577	5,400	618	554	568	570
45	18	15,000-	20,000	6,785	7,000	5,730	5,250	718	700	610	609
21	7	20,000		6,847	7,000	5,834	6,600	759	700	613	660
61	36	No Depth	Limit	6,298	6,000	6,229	6,000	652	628	637	612

Region: Gulf of Mexico - 6A

Oil Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
1987	1986	Over	Not Over	1987		1986		1987		1986	
			But	Average	Median	Average	Median	Average	Median	Average	Median
			or	or Mean		or Mean		or Mean		or Mean	
8	3	0-	5,000	\$16,666	\$15,000	\$ 4,917	\$ 5,000	\$1,652	\$1,500	\$ 468	\$ 450
8	3	5,000-	10,000	12,301	10,000	5,750	5,250	1,212	952	468	450
6	4	10,000-	15,000	11,929	5,500	6,466	5,250	1,073	600	551	450
5	2	15,000-	20,000	10,529	8,403	4,875	4,500	1,208	840	512	450
2		20,000		7,750	5,500			1,200	600		
15	8	No Depth	Limit	18,296	20,700	15,366	16,500	1,844	2,000	1,389	1,000

Gas Wells

Responses		Depth in Feet		Monthly Drilling Well Rates				Monthly Producing Well Rates			
1987	1986	Over	Not Over	1987		1986		1987		1986	
			But	Average	Median	Average	Median	Average	Median	Average	Median
			or	or Mean		or Mean		or Mean		or Mean	
10	3	0-	5,000	\$16,666	\$15,000	\$ 4,917	\$ 5,000	\$1,500	\$1,000	\$ 468	\$ 450
10	4	5,000-	10,000	12,628	10,000	6,438	5,250	1,355	1,500	551	450
7	4	10,000-	15,000	14,843	10,000	6,466	5,250	1,532	1,800	551	450
5	2	15,000-	20,000	10,579	8,403	4,875	4,500	1,228	840	512	450
2		20,000		7,750	5,500			1,200	600		
15	9	No Depth	Limit	18,296	20,700	15,250	16,500	1,844	2,000	1,498	1,650

20

UFE DRILLING, INC.

DRILLING OR WORKOVER AFE

AFE NO. _____

- WILDCAT DEVELOPMENT WORKOVER
 DRILLING DRILLING SAME ZONE
 COMPLETION COMPLETION NEW ZONE
 RE-ENTRY RE-ENTRY P & A

LSE. NO. _____

W.I. _____

EST. NET COST _____

AFE DATE August 1, 1988

LEASE & WELL NO.	Bilberry	DEPTH & FORM	4650' San Andres
LOCATION	800' FNL & 660' FWL, Sec. 14, T-8-S, R-37-E,		
COUNTY & STATE	Roosevelt Co, New Mexico	FIELD	Bluitt
OPERATOR	OGS Operating Co., Inc.	SPUD DATE	1988

INTANGIBLE WELL COST				
	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1	Access, Location & Roads	5,000	2,000	
2	Rig Move			
3	Footage Cost	41,900		
4	Day Work Cost 2 days at 3600	7,200		
5	Bits & Reamers	-		
6	Fuel	-		
7	Water	4,000	1,500	
8	Mud & Chemicals	2,000	-	
9	Cementing & Service	2,500	6,000	
10	Coring	-	-	
11	Surveying & Testing	13,500	1,500	
12	Mud Logging	1,600	-	
13	Perforating	-	1,500	
14	Stimulation	-	4,000	
15	Transportation	-	-	
16	Drilling Overhead & Supervision	4,000	4,000	
17	Equipment Rental	-	2,000	
18	Completion Rig 6 days at 1000	-	6,000	
19	Other Drilling Expense	2,500	3,000	
20	Contingencies (10% of Intangibles)	8,900	3,200	
21	Insurance	4,700		
22				
23	TOTAL INTANGIBLES	97,800	34,700	

TANGIBLE WELL COST				
24	Of " Conductor Casing			
25	350' Of 8-5/8 " Surface Casing	3,500		
26	Of " Intermediate Casing			
27	Of " Intermediate Casing			
28	Of " Intermediate Casing			
29	4650' Of 5-1/2 " Production Casing		31,800	
30	Of " Tie-Back Casing			
31	4650' Of 2-3/8 " Tubing		9,800	
32	Of " Tubing			
33	Of " Tubing			
34	Liner Equipment			
35	Wellhead Equipment	600	800	
36	Producing Facilities, Tank Battery, Flowline		45,000	
37	Packers & Other Subsurface Tools			
38	Contingencies (10% of Tangibles)			
39				
40				
41	TOTAL TANGIBLES	4,100	87,400	
42	TOTAL WELL COST	101,900	122,100	224,000

COMPANY APPROVAL

By	Date								

JOINT OPERATOR APPROVAL

October 10, 1988

Date

Firm THE WISER OIL COMPANY

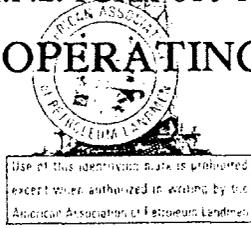
By John C. Wright

Title President

21

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT



BLUITT WORKING INTEREST AREA

EXHIBIT IV.

Attached to and made a part of that certain Farmout Agreement dated August 1, 1988, by and between Murphy Operating Corporation, et al, as Assignor, and O'BRIEN GOINS SIMPSON EXPLORATION COMPANY, as Operator.

OPERATING AGREEMENT

DATED

August 1, 19 88,

OPERATOR OGS OPERATING COMPANY, INC.

CONTRACT AREA Township-8-South, Range-37-East, N.M.P.M.

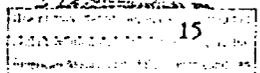
All of the West Half (W/2) of Section 14
From the surface of the ground to the base of
the San Andres Formation.
Containing 320 acres, more or less.

COUNTY ~~OR PARISH~~ OF Roosevelt STATE OF New Mexico

COPYRIGHT 1982 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 2408 CONTINENTAL LIFE BUILDING,
FORT WORTH, TEXAS, 76102, APPROVED FORM.
A.A.P.L. NO. 610 - 1982 REVISED

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between OGS OPERATING COMPANY, INC.,
1140 Two First City Center, Midland, TX 79701, hereinafter designated and
referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein
as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in
Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the
production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons
and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land
lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the
Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be
developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests
are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or
federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as establish-
ed by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of
any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate
in a proposed operation.

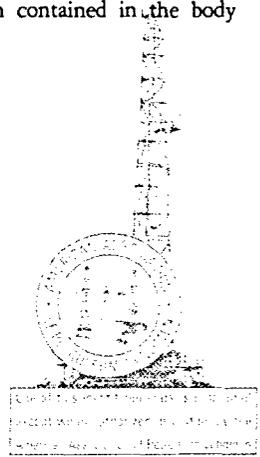
Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the
singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- A. Exhibit "A", shall include the following information:
 - (1) Identification of lands subject to this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (3) Percentages or fractional interests of parties to this agreement,
 - (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
 - (5) Addresses of parties for notice purposes.
- B. Exhibit "B", Form of Lease.
- C. Exhibit "C", Accounting Procedure.
- D. Exhibit "D", Insurance.
- E. Exhibit "E", Gas Balancing Agreement.
- F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.
- ~~G. Exhibit "G", Tax Partnership.~~

If any provision of any exhibit, except Exhibits "E" and "G", is inconsistent with any provision contained in the body
of this agreement, the provisions in the body of this agreement shall prevail.



ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner thereof shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties _____ which shall be borne as hereinafter set forth.

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, or cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if any such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. Excess Royalties, Overriding Royalties and Other Payments:

Each of the parties hereto shall pay or deliver or cause to be paid or delivered its proportionate part of the royalties and overriding royalties and other leasehold burdens as described in the attached Exhibit "A" and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any additional royalty, overriding royalty, production payment or other charge over and above those shown in Exhibit "A" such party shall assume and alone bear all such obligations and they shall account for or cause to be accounted for such interests to the owners thereof.

D. Subsequently Created Interests: SEE ARTICLE XV. N. FOR ADDITIONAL PROVISIONS.

If any party should hereafter create an overriding royalty, production payment or other burden payable out of production attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and accepted obligation of all parties (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred to as "burdened party"), and:

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,
2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~Option No. 1. Costs incurred by Operator in procuring abstracts and title examination (including title opinions, overriding royalty, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C" and shall be borne by the parties, whether performed by Operator's staff attorneys or by outside attorneys.~~

ARTICLE IV
continued

1 Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination
2 (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties
3 in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Ex-
4 hibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above
5 functions.

6
7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection
8 with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling
9 designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders.
10 This shall not prevent any party from appearing on its own behalf at any such hearing.

11
12 No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above
13 provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to par-
14 ticipate in the drilling of the well.

B. Loss of Title:

15
16
17
18 1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a
19 reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days
20 from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisi-
21 tion will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil
22 and gas leases and interests; and,

23 (a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be
24 entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred,
25 but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

26 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has
27 been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has oc-
28 curred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract
29 Area by the amount of the interest lost;

30 (c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is
31 increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such in-
32 terest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such
33 well;

34 (d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has
35 failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties
36 who bore the costs which are so refunded;

37 (e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be
38 borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

39 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest
40 claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in
41 connection therewith.

42
43 2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well
44 payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates,
45 there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required
46 payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment,
47 which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the
48 date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in
49 the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the
50 required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to
51 the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it
52 shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled
53 or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

54 (a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis,
55 up to the amount of unrecovered costs;

56 (b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of
57 oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease
58 termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said
59 portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and,

60 (c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest
61 lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

62
63 3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses
64 and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of
65 the Contract Area.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

OGS OPERATING COMPANY, INC. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator. Operator shall not be removed until all debts owed to it by Non-Operator have been paid in full.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

* at the time the AFE for such operation is submitted.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of January, 1989, Operator shall commence the drilling of a well for oil and gas at the following location:

Township--8-South, Range-37-East, N.M.P.M.
Section 14: N/2NW/4

and shall thereafter continue the drilling of the well with due diligence to a depth adequate to test the San Andres Formation or to a depth of 4,650 feet, whichever is the shallower.

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth. Operator's only liability for failure to commence said test shall be the ipso facto termination of this agreement.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

ARTICLE VI
continued

1 If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the
2 well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

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6 **B. Subsequent Operations:**
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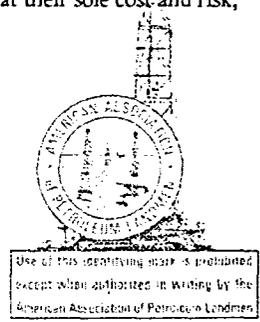
8 1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided
9 for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all
10 the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the
11 other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective forma-
12 tion and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice
13 within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drill-
14 ing rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be
15 limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party receiving such notice to reply within
16 the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or
17 response given by telephone shall be promptly confirmed in writing.
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21 If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice
22 period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on loca-
23 tion, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all par-
24 ties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties,
25 for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain
26 permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title ex-
27 amination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the
28 actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and
29 if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accor-
30 dance with the provisions hereof as if no prior proposal had been made.
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34 2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option
35 No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties
36 giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of
37 the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is
38 on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all
39 work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is
40 a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed opera-
41 tion for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Con-
42 senting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and con-
43 ditions of this agreement.
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47 If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable
48 notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as
49 to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours
50 (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit par-
51 ticipation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and
52 failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for
53 such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party,
54 at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.
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58 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have
59 elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such
60 operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties.
61 If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their
62 sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a pro-
63 ducer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,
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ARTICLE VI
continued

1 and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, ^{windfall profits tax} royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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12 (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

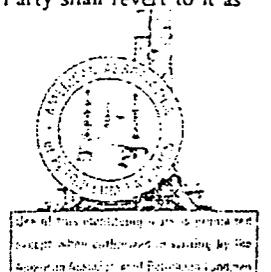
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21 (b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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28 An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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39 During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering ^{windfall profits} and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

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46 In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

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53 Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.



ARTICLE VI
continued

1 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above,
2 the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-
3 Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production
4 therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging
5 back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of
6 the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

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10 Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall
11 be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such
12 well conforms to the then-existing well spacing pattern for such source of supply.

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16 The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A.
17 except (a) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well
18 after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for pro-
19 duction, ceases to produce in paying quantities.

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23 3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have been
24 completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a
25 reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening
26 operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever
27 first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second gram-
28 matical paragraph of Article VI.B.2, shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently
29 withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion
30 each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Par-
31 ties.

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35 4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall
36 also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole
37 location (herein called "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other
38 mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the
39 affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal
40 to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

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44 (a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in
45 the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

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49 (b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's
50 salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the
51 provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

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55 In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period
56 shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and
57 receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time
58 incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand-
59 by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing par-
60 ty's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other in-
61 stances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

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65 C. TAKING PRODUCTION IN KIND:

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67 Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area,
68 exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for
69 marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any
70 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

ARTICLE VI
continued

1 required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

2 * SEE LINE 5 7 BELOW.

3 Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from
4 the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for
5 its share of all production.

6
7 In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of
8 the oil produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not
9 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
10 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
11 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
12 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
13 time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess
14 of one (1) year.

15
16 In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or
17 deliveries 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
18 be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing
19 agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

20
21 D. Access to Contract Area and Information: SEE ARTICLE XV. F. FOR ADDITIONAL PROVISIONS.

22
23 Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations,
24 and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books
25 and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with
26 governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of
27 each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of
28 gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that re-
29 quests the information.

30
31 E. Abandonment of Wells:

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33 1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been
34 drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned
35 without the consent of all parties ^{who participated in the drilling thereof}. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply
36 within forty-eight (48) hours ~~(exclusive of Saturday, Sunday and legal holidays)~~ after receipt of notice of the proposal to plug and abandon
37 such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in
38 accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening
39 such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further
40 operations in search of oil and/or gas subject to the provisions of Article VI.B.

41
42 2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted
43 hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a
44 producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall
45 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within
46 thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well,
47 those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other
48 parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of
49 Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign
50 the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and
51 material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the in-
52 terval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and
53 gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or in-
54 tervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is pro-
55 duced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit
56

57 * In the event of a transfer, sale, encumbrance, or other disposition
58 of interest within the contract area which necessitates separate
59 measurement facilities, the party creating the necessity for such
60 measurement facilities shall alone bear the cost of purchase,
61 installation and operation of such facility.

ARTICLE VI
continued

1 "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the
2 assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the
3 Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of
4 interests in the remaining portion of the Contract Area.

5
6 Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from
7 the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon re-
8 quest, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges con-
9 templated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned
10 well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to
11 repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the pro-
12 visions hereof.

13
14 3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between
15 Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be
16 permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified
17 of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article
18 VI.E.

19
20 ARTICLE VII.
21 EXPENDITURES AND LIABILITY OF PARTIES

22
23 A. Liability of Parties:

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25 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and
26 shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted
27 among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor
28 shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

29
30 B. Liens and Payment Defaults:

31 SEE ARTICLES XV. D. AND ARTICLE XV. F. FOR ADDITIONAL PROVISIONS.

32 Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share
33 of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon
34 at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the
35 state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the ob-
36 taining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien
37 rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share
38 of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from
39 the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, ~~plus interest~~, has been paid. Each
40 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien
41 and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

42
43 If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by
44 Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that
45 the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain
46 reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

47
48 C. Payments and Accounting:

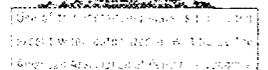
49
50 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development
51 and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective propor-
52 tionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder,
53 showing expenses incurred and charges and credits made and received.

54
55 Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance
56 of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding
57 month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together
58 with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted
59 on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within
60 fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount
61 due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual ex-
62 pense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

63
64 D. Limitation of Expenditures:

65
66 1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened
67 pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

68 * including interest on the deficiency and, if suit is brought to
69 collect any deficiency, reasonable attorney's fees,



ARTICLE VII
continued

Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen Thousand ----- Dollars (\$ 15,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Ten Thousand ----- Dollars (\$ 10,000.00) but less than the amount first set forth above in this paragraph.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

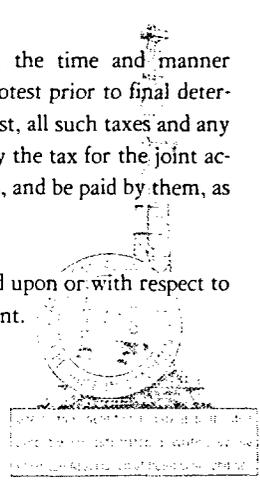
Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.



ARTICLE VII
continued

1 **G. Insurance:**

2
3 At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of
4 the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said com-
5 pensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall
6 also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part
7 hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation
8 law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

9
10 In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the
11 parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

12
13 **ARTICLE VIII.**
14 **ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

15
16 **A. Surrender of Leases:**

17
18 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole
19 or in part unless all parties consent thereto.

20
21 However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not
22 agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in
23 such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production
24 thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas in-
25 terest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering
26 such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such
27 lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all
28 obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well
29 attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and pro-
30 duction other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the
31 party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leas-
32 ed acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of
33 salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest
34 shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

35
36 Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering
37 party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage
38 assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this
39 agreement.

40
41 **B. Renewal or Extension of Leases:**

42
43 If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and
44 shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the
45 renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper pro-
46 portionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the
47 interests held at that time by the parties in the Contract Area.

48
49 If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties
50 who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area
51 to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease.
52 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement. *

53
54 Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein
55 by the acquiring party.

56
57 The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease
58 or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or
59 contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or con-
60 tracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to
61 the provisions of this agreement.

62
63 The provisions in this Article shall also be applicable to extensions of oil and gas leases.

64
65 **C. Acreage or Cash Contributions:**

66
67 While this agreement is in force, if any party contracts for ^{or obtains} a contribution of cash towards the drilling of a well or any other
68 operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be
69 applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the con-
70 tribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions
* but shall be deemed to be subject to an Operating Agreement identical
to this Agreement, modified only to reflect the ownership of the
acquiring parties and their respective percentage interests.

ARTICLE VIII
continued

1 said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be
2 governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions
3 it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to op-
4 tional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

5
6 If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such
7 consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

8
9 **D. Maintenance of Uniform Interest:**

10
11 For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no
12 party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells,
13 equipment and production unless such disposition covers either:

- 14
15 1. the entire interest of the party in all leases and equipment and production; or
16
17 2. an equal undivided interest in all leases and equipment and production in the Contract Area.

18
19 Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement
20 and shall be made without prejudice to the right of the other parties.

21
22 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may
23 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for
24 and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such
25 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter
26 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract
27 Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

28
29 **E. Waiver of Rights to Partition:**

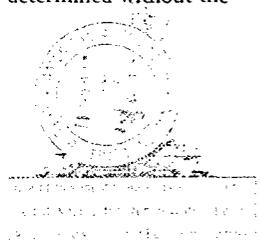
30
31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an
32 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided
33 interest therein.

34
35 ~~**F. Preferential Right to Purchase:**~~

36
37 ~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract~~
38 ~~Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the~~
39 ~~name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms~~
40 ~~of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase~~
41 ~~on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchas-~~
42 ~~ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par-~~
43 ~~ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to~~
44 ~~dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent com-~~
45 ~~pany, or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

46
47 **ARTICLE IX.**
48 **INTERNAL REVENUE CODE ELECTION**

49
50 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association
51 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several
52 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax
53 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded
54 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as per-
55 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-
56 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the
57 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,
58 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further
59 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the
60 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other
61 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract
62 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,
63 Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is per-
64 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-
65 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the
66 computation of partnership taxable income.



ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand ----- Dollars (\$ 5,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES
SEE ARTICLE XV. M. FOR ADDITIONAL PROVISIONS.

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

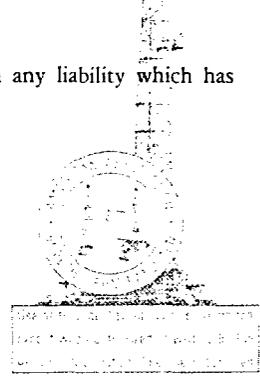
ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

~~Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force and effect in the Contract Area, whether by production, extension, renewal or otherwise.~~

Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 180 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.



ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of New Mexico shall govern.

C. Regulatory Agencies:

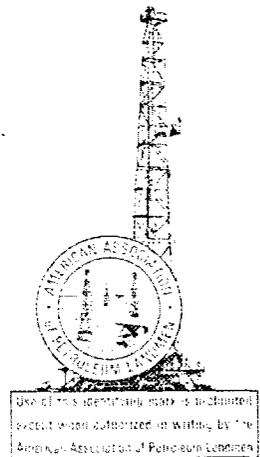
Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV.
OTHER PROVISIONS

See Pages 14 a. through 14 f. for Other Provisions.



ARTICLE XV.

OTHER PROVISIONS

A. SUBSTITUTE WELL

1. If, in the drilling of the Initial Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of the Operator, to drill the well to the Objective Depth, then and in any of such events on or before sixty (60) days after cessation of drilling operations on the Initial Well, Operator shall have the option to commence the actual drilling of another well (Substitute Well) at a lawful location of Operator's selection on the Contract Area, and prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this agreement, the drilling of the Substitute Well shall be considered as the drilling of the Initial Well.
2. Any provision herein concerning the Initial Well shall also apply to the Substitute Well, and any provision herein excepting the Initial Well shall also except the Substitute Well.

B. LEASE MAINTENANCE

If any operations proposed under Article VI. are necessary to maintain in full force and effect either a lease or an agreement to earn an interest in a lease that would otherwise expire, any party that elects not to participate in such operations (the "Non-Consenting Parties") shall, in lieu of the penalty provisions contained in Article VI. B. 2., assign to each party electing to participate in such operations (the "Consenting Parties"), in the proportion that each Consenting Party's interest bears to the total interest of all Consenting Parties, all of such Non-Consenting Party's right, title and interest in and to the acreage covered by the lease or agreement that otherwise would be lost if such operations were not conducted. Thereafter, such acreage shall not be subject to the terms of this Operating Agreement, but shall be deemed to be subject to an Operating Agreement identical hereto, modified only to reflect the ownership of the Consenting Parties and their respective percentage interests.

C. BILLING ADDITIONAL INTERESTS

Notwithstanding any of the other provisions of this Agreement and of the accounting procedure attached as Exhibit "C", the parties to this agreement specifically agree that in no event during the term of this Operating Agreement shall Operator be required to make more than one billing for the entire interest credited to each party on Exhibit "A". It is further agreed that if any party to this Agreement (hereinafter referred to as "Selling Party") disposes of part of the interest credited to it on Exhibit "A", the Selling Party will be solely responsible for billing its assignee or assignees, and shall remain primarily liable to the other parties for the interest or interests assigned and shall make prompt payment to Operator for the entire amount of statements and billings to the Selling Party for the interest conveyed until such time as the Selling Party has designated and qualified one assignee to receive the billing for the entire interest. In order to qualify one assignee to receive the billing for the entire interest credited to Selling Party on Exhibit "A", the Selling Party shall furnish to Operator the following:

1. written notice of the conveyance and certified copy of the assignments by which the transfers were made;
2. the name of the assignee to be billed and a written statement executed by the assignee to be billed in which it consents to receive statements and billings for the entire interest credited to Selling Party on Exhibit "A" hereof, and further consents to handle any necessary sub-billing in the event it does not own the entire

interest credited Selling Party on Exhibit "A"; and

3. ratification of this Operating Agreement (including an executed and recordable instrument entitled "Memorandum of Operating Agreement") executed by the assignee to be billed (and all other assignees) wherein it/they adopts, ratifies and confirms all of the provisions of this Operating Agreement as if it had been a party thereto.

D. SECURITY: ADDITION TO ARTICLE VII. B.

The lien and security interest granted by each Non-Operator to Operator and by Operator to each Non-Operator under Article VII. B. shall extend not only to such party's oil and gas rights in the Contract Area (which for greater certainty shall include all of each party's leasehold interest and leasehold estate in the Contract Area), the oil and/or gas when extracted, personal property and equipment (as mentioned in said Article), but also to all accounts and proceeds from sales of oil and gas, contract rights, inventory and general intangibles constituting a part of, relating to or arising out of said oil and gas rights, extracted oil and gas and said equipment which are otherwise owned or held by any such party in the contract Area. Furthermore, the lien and security interest of each of said parties shall extend to all proceeds and products of all of the property and collateral described in this paragraph and in Article VII. B. as being subject to said lien and security interest. Any party, to the extent it deems necessary to perfect the lien and security interest provided, may file this Operating Agreement or Memorandum thereof as a lien in the applicable real estate records and as a financing statement with the limitation of the foregoing.

Operator and Non-Operators, their successors and assigns, agree to execute a recordable instrument entitled Memorandum of Operating Agreement shown as Exhibit No. 1 of this Agreement, to be filed both in the county records for real estate purposes and such other records as may be necessary for compliance with the Uniform Commercial Code.

E. BANKRUPTCY

If, following the granting of relief under the Bankruptcy Code to any party hereto, as debtor thereunder, this Agreement should be held to be an executory contract within the meaning of 11 U.S.C. §365, then the Operator, or if the Operator is the debtor-in-bankruptcy, the Non-Operator shall be entitled to a determination by debtor, or trustee for debtor, within thirty (30) days from the date an order for relief is entered under the Bankruptcy Code, as to the rejection or assumption of this Operating Agreement. In the event of an assumption, Operator or said Non-Operators, shall be entitled to adequate assurances as to future performance of debtor's obligation hereunder and the protection of the interest of all other parties.

F. REMEDIES FOR DEFAULT: ADDITION TO ARTICLE VII. B.

Notwithstanding the provision of Article VII. B., it is agreed between the parties hereto that in the event any party fails to pay its proportionate share of advances or expenses incurred pursuant to the terms of this Agreement, Operator shall give written notice to the party that it is in default. If, within fifteen (15) days of receipt of the notice, such defaulting party fails to pay all of the amount to which it is in default, in full, then the non-defaulting party or parties shall have the option, without prejudice to any other existing remedies, to consider such non-payment to constitute an election not to participate under Article VI. B. 2. and/or Article XV. B. (whichever is/are applicable) of this Agreement in the same manner, to the same extent and with the same force that a failure to reply within the prescribed period constitutes an election not to participate.

As long as the defaulting party has unpaid balances outstanding, it

shall have no further access to the Contract Area or information obtained in connection with operations hereunder and shall not be entitled to vote on any matter hereunder. While any party is in default, the voting interest of each non-defaulting party shall be in the proportion its participating interest bears to the total non-defaulting participating interest. As to any proposed operation in which it otherwise would have the right to participate, such defaulting party shall have the right to be a Consenting or participating Party only if it pays all of the amounts to which it is in default, in full, including the penalty amounts provided for in Article VI. B., before the applicable proposed election or decision deadline. This reinstatement option shall not apply to any party who originally defaulted under an operation falling under the auspices of Article XV. B.

Notwithstanding anything to the contrary contained within this Agreement, the parties hereto agree that:

1. Operator shall not have the right to implement any of the remedies with respect to default described in Article VII. B., XV. D. and/or XV. F. while the Operator and defaulting Non-Operator are engaged in on-going negotiations or discussions conducted in good faith regarding disputed joint billings and/or advances. It being understood, however, that the provision shall not relieve Non-Operator of its responsibility to timely pay that portion of any joint billings and/or advance estimates which are not the subject of any such good faith dispute;
2. It is the intention of Article XV. F. to grant Non-Operators reciprocal rights against Operator in the event Operator, rather than Non-Operator, should fail or refuse to pay its proportionate share of all costs, expenses (including, without limitation, shut-in royalty payments, minimum royalties, and other lease maintenance expenses), and/or advance payments requested of Non-Operators by Operator. Where appropriate within the text of Article VII. and XV. F., in order to effectuate this reciprocity, where the word "Operator" is used, the word "Non-Operator" may be substituted therefor, and where the word "Non-Operator" is used, the word "Operator" may be substituted therefor.

G. CERTAIN PLUGGING AND ABANDONMENT COSTS

If, pursuant to Article VI. B. 2. hereof, less than all of the parties elect to participate in a proposed reworking, deepening or plugging back operation, and if such operation does not result in the production of hydrocarbons in paying quantities or results in a completion that ceases to produce in commercial quantities prior to the time at which the consenting parties are fully reimbursed as provided in Article VI. B. 2., then, notwithstanding the printed provisions of this Agreement, the party or parties who elected not to participate in such reworking, deepening or plugging back operation shall nevertheless be responsible for their proportionate part of the cost to plug and abandon such well, and salvage the equipment therefrom, except for the additional plugging and abandonment or salvage costs that are caused by the non-consent reworking, deepening or plugging back operation; the consenting parties shall be solely responsible for such additional costs.

H. METERING OF PRODUCTION

If a diversity of working interest ownership in production from a lease subject to this Agreement occurs as a result of operation by less than all parties under Article VI. B. 2. herein, it is agreed that the oil and other liquid hydrocarbons produced from the well or wells completed by Consenting Parties may be separately measured by standard metering equipment to be properly tested periodically for accuracy.

I. ADDITIONAL RIGHTS

If any rights in the Contract Area or any new Area of Interest between the parties hereto are acquired by virtue of the drilling, deepening or completion of a well, a Non-Consenting party in such drilling, deepening or completing shall not be entitled to any interest in such rights.

J. PRIORITY OF OPERATIONS

Notwithstanding anything contained herein to the contrary, it is agreed that where a well, which has been authorized under the terms of this agreement by all parties, or by one or more but less than all parties under Article VI. and/or Article XV. B., shall have been drilled to the contract depth or the objective formation, whichever is less, and the parties participating in the well cannot mutually agree upon the sequence and timing of further operations regarding such well, the following elections shall control in the order enumerated hereafter:

1. an election to do additional logging, coring or testing;
2. an election to attempt to complete the well at either the objective depth or objective formation;
3. an election to plug back and attempt to complete said well; however, if more than one proposal to plug back is made, the proposal to plug back to the next deepest prospective interval shall have priority over proposals to plug back to shallower prospective intervals;
4. an election to sidetrack the well; and
5. an election to deepen said well.

It is provided, however, that if at the time said participating parties are considering any of the above elections the hole is in such a condition that a reasonably prudent operator would not conduct the operations contemplated by the particular election involved for fear of placing the hole or objective formation in jeopardy, such election shall be eliminated from the sequence set forth above.

K. NGPA FILINGS, DEDICATIONS/GAS CONTRACT NEGOTIATIONS

Operator may, at its election (but is not required to), file and prosecute applications for the determination of the status under the Natural Gas Policy Act of 1978 ("NGPA") of wells subject to this Operating Agreement for the joint account of parties hereto to the extent that such filings by Operator are permitted by law, rule, regulation or order. Each party hereto shall be responsible for making all other filings and reports required under the NGPA, including, but without limitation thereof, refund undertakings and interim, retroactive or other collection statements. Operator shall not be responsible to any Non-Operator for any damage or loss arising out of or connected with the filing or prosecution of the application or applications for determination, including the failure to file, delay in filing or failure to prosecute such application(s). The sole recourse of each Non-Operator is to file and process for his own account whatever application or applications for determination he deems appropriate. In the event Operator elects to file an application or applications for determination, the cost and expenses of preparing, filing and prosecuting such application(s) shall be charged to the joint account.

With respect to operations hereunder, Non-Operator agrees to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation of application of rules, rulings, regulations or orders of the Department of Energy or predecessor or

successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

All costs incurred by Operator in complying with the Natural Gas Policy Act of 1978 or in complying with Federal, State and local law for the obtaining and monitoring of all well classifications required in the Natural Gas Policy Act of 1978 or in complying with any laws under the Department of Energy, and all consulting fees, and directly related costs incurred by Operator in connection with investigations for prior dedications and/or calls negotiations with oil and/or gas purchasers, and negotiations for gas purchaser contracts (including casinghead gas contracts) shall be a direct charge, borne by the joint account as provided in Exhibit "C" and shall not be included in administrative overhead under part III of Exhibit "C".

L. DISBURSEMENT OF ROYALTIES

If a purchaser of any oil, gas or other hydrocarbons produced from the Contract Area declines to make disbursements of all royalties, overriding royalties and other payments out of, or with respect to, production which are payable on the Contract Area, Operator will, if any Non-Operator so desires, make such disbursement on behalf of said Non-Operator at its direction, provided, Non-Operator shall execute such documents as may be necessary in the opinion of Operator to enable Operator to receive all payments for oil, gas and other hydrocarbons, directly from said purchaser. In that event, Operator will use its best efforts to make disbursements correctly within thirty (30) days of receipt from the purchaser, but will be liable for incorrect disbursements only in the event of gross or willful negligence.

M. ARTICLE XII, ADDITION

Except as may otherwise be expressly provided above, any notice or communication required or desired to be given under the terms of this Agreement shall be given by Certified or Registered Mail, Return Receipt Requested, by personal delivery against signed receipt thereof, or by telegram on which postage and/or other sending charges have been prepaid by sending party, at such party's address listed on Exhibit "A" to this Agreement or at such other address as such party may have previously specified by like notice.

N. ARTICLE III. D., ADDITION

If any party hereunder creates any overriding royalty, production payment or other burden against its working interest production and if any other party or parties hereto conduct non-consent operations pursuant to any provisions of this Agreement and, as a result, become entitled to receive the working interest production otherwise belonging to a non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this Agreement and the non-participating party creating such subsequent burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

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

P. This Operating Agreement supersedes and replaces any prior Operating Agreement covering the Contract Area executed by any party hereto.

Q. PREPARATION OF EXHIBIT "A"

The interest of the parties as set forth on Exhibit "A" were calculated based on the best information available to the Operator. If the information is found to have been erroneous, or if a mathematical or typographical error has been made in preparing the exhibits, the interest may be recalculated to reflect the correct interests.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

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

IN WITNESS WHEREOF, this agreement shall be effective as of 1st day of August, 1988.

OPERATOR

OGS OPERATING COMPANY, INC.

Attest:

By: Carla T. Fair
Assistant-Secretary

By: Thom O'Brien
Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION
COMPANY

By: T. B. O'Brien
Managing General Partner
MURPHY OPERATING CORPORATION

Attest:

By: _____

By: _____
THE WISER OIL COMPANY

By: _____

By: TOM L. INGRAM

By: JOAN L. INGRAM

By: J. E. CIESZINSKI

By: DRUSILLA C. CIESZINSKI
WALTER DUNCAN, INC.

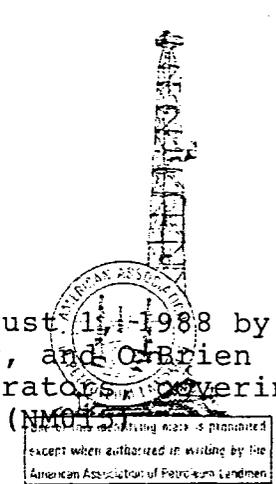
Attest:

By: _____

By: _____

By: EARL A. LATIMER

SIGNATURE PAGE: to the Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluit Prospect, Roosevelt County, New Mexico.



(NM015 Bluit Prospect)
except when authorized in writing by the American Association of Petroleum Landmen

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OPERATOR

OGS OPERATING COMPANY, INC.

Attest:

Carla T. Fair
By: Carla T. Fair
Assistant-Secretary

Thom O'Brien
By: Thom O'Brien
Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

T. B. O'Brien
By: T. B. O'Brien
Managing General Partner
MURPHY OPERATING CORPORATION

Attest:

By: _____

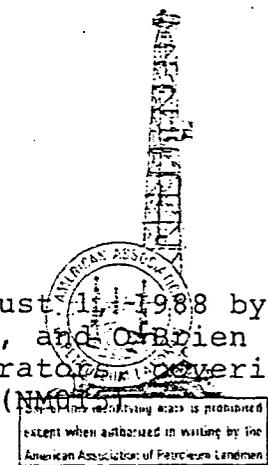
By: _____
THE WISER OIL COMPANY

Attest:

By: _____

By: _____

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OPERATOR

OGS OPERATING COMPANY, INC.

Attest:

Carla T. Fair
By: Carla T. Fair
Assistant-Secretary

Thom O'Brien
By: Thom O'Brien
Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION
COMPANY

By: T. B. O'Brien
Managing General Partner

MURPHY OPERATING CORPORATION

Nadine Reed
Attest:
By: Nadine Reed, Secretary

Ann Murphy Ezzell
By: Ann Murphy Ezzell
Chairman & Chief Executive Officer
THE WISER OIL COMPANY

By:

TOM L. INGRAM

JOAN L. INGRAM

J. E. CIESZINSKI

WALTER DUNCAN, INC.

Attest:

By:

By:

EARL A. LATIMER

SIGNATURE PAGE: to the Operating Agreement dated August 11, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators, covering the Bluit Prospect, Roosevelt County, New Mexico. (NM015)

ACCEPT WHEN SUBSCRIBED IN WRITING BY THE
GENERAL ASSOCIATION OF PETROLEUM ENGINEERS

ARTICLE XVI.
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OGS OPERATING COMPANY, INC.

Attest:

Carla T. Fair

By: Carla T. Fair
Assistant-Secretary

By: Thom O'Brien
Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION
COMPANY

By: T. B. O'Brien
Managing General Partner

MURPHY OPERATING CORPORATION

Attest:

By:

By:

THE WISER OIL COMPANY

John C. Wright
By: John C. Wright
President

TOM L. INGRAM

JOAN L. INGRAM

J. E. CIESZINSKI

DRUSILLA C. CIESZINSKI

WALTER DUNCAN, INC.

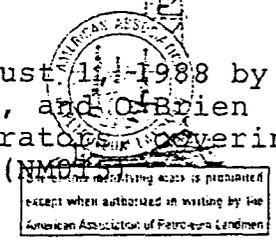
Attest:

By:

By:

EARL A. LATIMER

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OGS OPERATING COMPANY, INC.

Attest:

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By: Carla T. Fair
Assistant-Secretary

Thom O'Brien
By: Thom O'Brien
Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION
COMPANY

T. B. O'Brien
By: T. B. O'Brien
Managing General Partner
MURPHY OPERATING CORPORATION

Attest:

THE WISER OIL COMPANY
By:

THE WISER OIL COMPANY
By:

TOM L. INGRAM

JOAN L. INGRAM

J. E. Cieszynski
J. E. CIESZINSKI

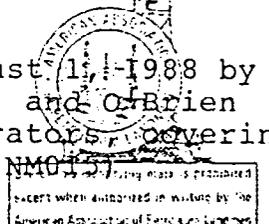
Drusilla C. Cieszynski
DRUSILLA C. CIESZINSKI
WALTER DUNCAN, INC.

Attest:

EARL A. LATIMER
By:

By:

SIGNATURE PAGE: to the Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators, covering the Bluit Prospect, Roosevelt County, New Mexico. (NM015)



ARTICLE XVI.
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IN WITNESS WHEREOF, this agreement shall be effective as of 1st day of August, 1988.

OPERATOR

OGS OPERATING COMPANY, INC.

Attest:

By: Carla T. Fair
Assistant-Secretary

By: Thom O'Brien
Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

By: T. B. O'Brien
Managing General Partner

MURPHY OPERATING CORPORATION

Attest:

By:

By:

THE WISER OIL COMPANY

By:

TOM L. INGRAM

JOAN L. INGRAM

J. E. CIESZINSKI

DRUSILLA C. CIESZINSKI

WALTER DUNCAN, INC.

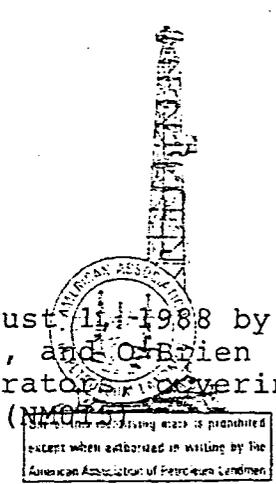
Attest:

By: Kenneth R. Juy
Secretary

By: J. Walter Duncan, Jr.
President

EARL A. LATIMER

SIGNATURE PAGE: to the Operating Agreement dated August 11, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluitt Prospect, Roosevelt County, New Mexico.



ARTICLE XVI.
MISCELLANEOUS

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

IN WITNESS WHEREOF, this agreement shall be effective as of 1st day of August, 1988.

OPERATOR

OGS OPERATING COMPANY, INC.

Attest:

Carla T. Fair By: Thom O'Brien
Assistant-Secretary Vice-President

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

By: T. B. O'Brien
Managing General Partner
MURPHY OPERATING CORPORATION

Attest:

By: _____
By: _____
THE WISER OIL COMPANY

By: TOM L. INGRAM By: JOAN L. INGRAM

By: J. E. CIESZINSKI By: DRUSILLA C. CIESZINSKI
WALTER DUNCAN, INC.

Attest:

By: Earl A. Latimer By: Patsy M. Latimer
EARL A. LATIMER PATSY M. LATIMER

SIGNATURE PAGE: to the Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operator, covering the Bluitt Prospect, Roosevelt County, New Mexico.

(NMOS) Notarizing work is prohibited except when authorized in writing by the American Association of Petroleum Landmen

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration, et al, as Non-Operators, covering the Bluitt Prospect in Roosevelt County, New Mexico. (NM015)

I. LANDS SUBJECT TO THIS AGREEMENT:

Township-8-South, Range-37-East, N.M.P.M.
 Section 14: West Half (W/2)
 Roosevelt County, New Mexico
 containing 320 acres, more or less.

II. RESTRICTIONS AS TO DEPTHS, FORMATIONS AND SUBSTANCES:

This Operating Agreement covers all oil, gas and associated hydrocarbon rights from the surface of the earth to the base of the San Andres Formation, as commonly found below the base of the Grayburg Formation and above the top of the Glorietta Formation.

III. PERCENTAGE INTEREST OF THE PARTIES TO THIS AGREEMENT:

<u>Working Interest Owner</u>	<u>Before Payout of Each Well</u>	<u>After Payout of Each Well</u>
1. OGS Operating Co., Inc.	0.010000	0.0100000
2. O'Brien Goins Simpson Exploration Company	0.795000	0.6421875
3. The Wiser Oil Company	0.187500	0.1875000
4. Murphy Operating Corporation	0.000000	0.1031250*
5. Walter Duncan, Inc.	0.000000	0.0140625
6. Tom Ingram, et ux	0.000000	0.0337500*
7. J. E. Cieszinski, et ux	0.000000	0.0018750*
8. Earl A. Latimer, et ux	<u>0.007500</u>	<u>0.0075000</u>
TOTALS	1.000000	1.0000000

* If Operator commences operations for a substitute test well as more particularly described in Farmout Agreement dated August 1, 1988, Page 2, Paragraph II. C. on lands other than the N/2NW/4 of Section 14, Township 8 South, Range 37 East, N.M.P.M. in the Farmout Area, and said well is producing oil and/or gas in commercial quantities, the after payout percentage of each well under the drilling unit in the W/2 of Section 14, Township 8 South, Range 37 East, shall be:

	<u>After Payout of Each Well</u>
Murphy Operating Corporation	0.13750
Tom L. Ingram	0.04500
J. E. Cieszinski	0.00250

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT:

1. Lessor: Monta Ruth Bilberry Perry, Life Estate,
Nancy C. Belcher, Remainderman, and
Grace Bilberry Dean
Lessee: O'Brien Goins Simpson Exploration
Dated: September 23, 1987
Recorded: Volume 124, Page 638 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
2. Lessor: Schumacher Oil Company
Lessee: O'Brien Goins Simpson Exploration
Dated: September 25, 1987
Recorded: Volume 124, Page 640 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
3. Lessor: Margaret Anne Eaton, et vir, Kenneth
Eaton
Lessee: O'Brien Goins Simpson Exploration
Dated: September 28, 1987
Recorded: Volume 124, Page 741 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
4. Lessor: Ben E. Taylor
Lessee: O'Brien Goins Simpson Exploration
Dated: October 13, 1987
Recorded: Volume 124, Page 743 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
5. Lessor: Phyllis Jane Wesson
Lessee: O'Brien Goins Simpson Exploration
Dated: September 28, 1987
Recorded: Volume 124, Page 815 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT:

6. Lessor: James A. Crutchmer, Jr., et ux, Carol Ann Crutchmer
 Lessee: O'Brien Goins Simpson Exploration
 Dated: October 13, 1987
 Recorded: Volume 124, Page 817 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
7. Lessor: John Lynn Singleton
 Lessee: O'Brien Goins Simpson Exploration
 Dated: November 10, 1987
 Recorded: Volume 124, Page 991 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
8. Lessor: Richard Lloyd Singleton
 Lessee: O'Brien Goins Simpson Exploration
 Dated: November 10, 1987
 Recorded: Volume 124, Page 977 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
9. Lessor: G. B. Holman, Jr., and Amanda Holman Keef
 Lessee: O'Brien Goins Simpson Exploration
 Dated: November 17, 1987
 Recorded: Volume 125, Page 404 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
10. Lessor: Mary Ruth Singleton, Independent Executrix of the Estate of T. F. Singleton
 Lessee: O'Brien Goins Simpson Exploration
 Dated: February 4, 1988
 Recorded: Volume 125, Page 491 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.025 on oil and gas

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT: Continued

11. Lessor: Frances Cole
 Lessee: O'Brien Goins Simpson Exploration
 Dated: May 3, 1988
 Recorded: Volume 126, Page 329 of the Oil & Gas
 Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
 E/2NE/4, Section 15, Township-8-South,
 Range-37-East, NMPM, Roosevelt County,
 New Mexico
 Royalty: Three-sixteenth (3/16th) on oil and gas
 Overriding Royalty: 0.01625 on oil and gas
12. Lessor: Sara Strawder Shaw, Individually and as
 Independent Executrix of the Estate of
 Harry T. Shaw, deceased
 Lessee: O'Brien Goins Simpson Exploration
 Dated: May 3, 1988
 Recorded: Volume 126, Page 490 of the Oil & Gas
 Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
 E/2NE/4, Section 15, Township-8-South,
 Range-37-East, NMPM, Roosevelt County,
 New Mexico
 Royalty: Three-sixteenths (3/16th) on oil and
 gas
 Overriding Royalty: 0.01625 on oil and gas
13. Lessor: Trustmark National Bank and Catherine
 W. Sanders, et al, Co-Trustees of the
 Catherine W. Sanders Marital Trust and
 of the Robert D. Sanders Residuary
 Trust
 Lessee: O'Brien Goins Simpson Exploration
 Dated: April 6, 1988
 Recorded: Volume 126, Page 415 of the oil & Gas
 Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
 E/2NE/4, Section 15, Township-8-South,
 Range-37-East, NMPM, Roosevelt County,
 New Mexico
 Royalty: Three-sixteenths (3/16th) on oil and
 gas
 Overriding Royalty: 0.01625 on oil and gas
14. Lessor: David M. Hammer, Mary Hammer, Alan J.
 Hammer, Robert J. Hammer, Deanna J.
 Christensen, John E. Christensen and
 Mary K. Hammer
 Lessee: O'Brien Goins Simpson Exploration
 Dated: SUBJECT TO COMPULSORY POOLING
 Recorded:
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
 E/2NE/4, Section 15, Township-8-South,
 Range-37-East, NMPM, Roosevelt County,
 New Mexico
 Royalty: If one-eighth (1/8th) on oil and gas
 under Pooling Order, then
 Overriding Royalty: 0.025 on oil and gas
 Royalty: If three-sixteenths (3/16th) on oil and
 gas under Pooling Order, then
 Overriding Royalty: 0.01625 on oil and gas

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT: Continued

15. Lessor: Deposit Guaranty National Bank, Trustee
for George E. Shaw Heirs Trust
Lessee: O'Brien Goins Simpson Exploration
Dated: June 16, 1988
Recorded: Volume 126, Page 680 of the oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: Three-sixteenths (3/16th) on oil and
gas
Overriding Royalty: 0.01625 on oil and gas
16. Lessor: Deposit Guaranty National Bank, Trustee
for Susan Rushton Mangum Trust and Dr.
Fred Rushton, Jr.
Lessee: O'Brien Goins Simpson Exploration
Dated: June 16, 1988
Recorded: Volume 126, Page 682 of the oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: Three-sixteenths (3/16th) on oil & gas
Overriding Royalty: 0.01625 on oil and gas
17. Lessor: Walter Duncan, Inc.
Lessee: O'Brien Goins Simpson Exploration
Dated: May 1, 1988
Recorded: Volume 126, Page 345 of the oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: The North Half of the Northwest Quarter
(N/2NW/4) of Section 14, Township 8
South, Range 37 East, NMPM, Roosevelt
County, New Mexico
Royalty: Before payout of each well - 3/16th on
oil and gas, proportionately reduced
After payout of each well - 1/8th on
oil and gas
Overriding Royalty: Before payout of each well - 0.01625 on
oil and gas, After payout of each well
- 0.025 on oil and gas
18. Lessor: Ronald Rushton, et ux
Lessee: O'Brien Goins Simpson Exploration
Dated: May 3, 1988
Recorded: Volume 126, Page 329 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: Three-sixteenths (3/16th) on oil & gas
Overriding Royalty: 0.01625 on oil and gas

INSOFAR ONLY as said Leases 1 through 18 cover the N/2 of the NW/4 of
Section 14, T-8-S, R-37-E, NMPM, Roosevelt County, New Mexico, containing
80.0 acres, more or less.

IV. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT: Continued

19. Lessor: United States of America NM-66486
 Lessee: Murphy Operating Corporation
 Dated: June 1, 1958
 Recorded:
 Land Covered: INSOFAR ONLY as said lease covers S/2NW/4 and the SW/4, Section 14, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico, containing 240 acres, more or less.
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.0486717 of all oil and gas produced from this lease, also the interests of Murphy Operating Corporation, J.E. Cieszinski and Tom L. Ingram in this lease are subject to a Farmout Agreement dated May 1, 1988, wherein they reserved an overriding royalty in each well before payout equal to the difference between all existing leasehold burdens on the date of this agreement and 25%.

V. ADDRESSES AND PHONE NUMBERS OF PARTIES TO THIS AGREEMENT FOR NOTICE PURPOSES:

A.	OGS Operating Company, Inc. 1140 Two First City Center Midland, TX 79701	915-682-6373
B.	O'Brien Goins Simpson Exploration 1140 Two First City Center Midland, TX 79701	915-682-6373
C.	The Wiser Oil Company Box 192 Sisterville, W. VA 26175	304-652-3861
D.	Murphy Operating Corporation Box 2164 Roswell, NM 88201	505-623-7210
E.	Walter Duncan, Inc. 100 Park Avenue Bldg. Suite 1200 Oklahoma City, OK 73102	405-272-1826
F.	Tom L. Ingram Box 1757 Roswell, NM 88202	505-622-3630
G.	J. E. Cieszinski Box 3047 Roswell, NM 88201	505-622-3116
H.	Earl A. Latimer 1802 W. 4th Street Roswell, NM 88202	505-622-3363

END OF EXHIBIT "A"

Attached to and made a part of the Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Co., et al, as Non-Operators, covering the Bluit Prospect, Roosevelt County, New Mexico. (NM015)

TIO-130 2/73
With Pooling Clause

Three YEAR PAID UP LEASE
OIL, GAS AND MINERAL LEASE

Texas Standard Form

THIS AGREEMENT made this 1st day of May, 1988, between _____

O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

(Post Office Address)

herein called lessor (whether one or more), and 1140 Two First City Center, Midland, TX 79701, lessee:

1. Lessor, in consideration of Ten and no/100----- Dollars (\$ 10.00) in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, mining and operating for and producing oil, gas, and all other minerals, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals and other products manufactured therefrom, and housing and otherwise caring for its employees, the following described land in Roosevelt County, New Mexico XXXXXX to-wit:

Township-8-South, Range-37-East, N.M.P.M.

Section 14: North Half of the Northwest Quarter (N/2NW/4)
containing 80.0 acre, more or less.

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which lessor has a preference right of acquisition. Lessor agrees to execute any supplemental instrument requested by lessee for a more complete or accurate description of said land. For the purpose of determining the amount of any bonus or other payment hereunder, said land shall be deemed to contain 80.00 acres, whether actually containing more or less, and the above recital of acreage in any tract shall be deemed to be the true acreage thereof. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of ~~XXX~~ three (3) years from this date (called "primary term"), and as long thereafter as oil, gas or other mineral is produced from said physical land or land with which said land or any part thereof is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; lessor's interest in either case shall bear its proportion of any expenses for treating oil to make it marketable as crude; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold, the royalty shall be one-eighth of the amount realized from such sale; (c) on gas including casinghead gas and all gaseous substances produced from said land and used off of the premises by lessee and not benefiting lessor, the market value at the mouth of the well of one-eighth of the gas so used off of the premises; (d) on all other minerals mined and marketed, one-eighth, either in kind or value at the well or mine, at lessee's election, except that on surface the royalty shall be One Dollar (\$1.00) per long ton; and (e) if at any time while there is a gas well or wells on the above land and (for the purposes of this clause (e) the term "gas well" shall include wells capable of producing natural gas, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in or this lease ceases to be otherwise maintained as provided herein, whichever is the later date, and before the expiration of any such period, lessee or any assignee hereunder may pay or tender an advance annual royalty of One

Dollar (\$1.00) per acre for the acreage then held under this lease to the owners of royalty hereunder or to their credit in the _____

Bank at _____

(which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's successors and assigns; if such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept royalty, lessee shall not be held in default; until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another method of payment or tender, and any depositary charge is a liability of the lessor), and if such payment or tender is made, this lease shall continue in force and it shall be considered that gas is being produced from the lease premises in paying quantities within the meaning of paragraph 2 hereof for one (1) year from the date of such payment, and in like manner subsequent advance annual royalty payments may be made or tendered and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said paragraph 2 during any annual period for which such royalty is so paid or tendered. The payment or tender of royalty may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or either lessor if more than one. Royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

4. Lessee is hereby given the power and right, as to all or any part of land described herein and as to any one or more of the formations thereunder and the minerals therein or produced therefrom, at its option and without lessor's joinder or further consent, and at any time, and from time to time, either before or after production, pool and unitize the leasehold estate and the lessor's royalty estate created by this lease with the rights of third parties, if any, in all or any part of the land described herein and with any other land, lands, lease, leases, mineral and royalty rights, or any of them adjacent, adjoining, or located within the immediate vicinity of this lease, whether owned by lessee or some other person, firm or corporation, so as to create by such pooling and unitization one or more drilling or production units, when to do so would, in the sole judgment of lessee, promote the conservation of oil, gas or other mineral. Each such drilling or production unit, when limited to any one or more formations and to any one or more of the minerals therein or produced therefrom, may from time to time be enlarged and extended by lessee to additionally include any other formation or formations and any other mineral or minerals therein or produced therefrom. Also, any such unit may be altered or enlarged by lessee at any time so long as the total acreage therein does not exceed the maximum hereinafter specified. Each such drilling or production unit shall not exceed 40 acres, plus an acreage tolerance not to exceed ten per cent (10%) of 40 acres, when created for the purpose of drilling for or producing oil therefrom and 540 acres, plus an acreage tolerance not to exceed ten per cent (10%) of 540 acres, when created for the purpose of drilling for or producing gas, condensate or any combination of such minerals therefrom; provided, however, if the maximum drilling or production unit fixed or allowed by the regulatory authority, Federal or State, having jurisdiction in the premises, as a basis for the development and operation of or the production from the field in which the above described land is located, be more or less than said maximum, then, in either such event, each such unit created hereunder shall not exceed the maximum so prescribed or permitted and in force in the field at the time such unit is created. As to each such unit so created by lessee, there shall be allocated to the acreage covered by this lease and included in the pooled unit, such portion of the production from said unit as the number of acres out of this lease placed in any such unit, as such unit from time to time may be constituted, bears to the total number of acres included in such unit, and lessor agrees to accept and shall receive the royalties (in-kind or other kind) otherwise specified in this lease, based upon the production so allocated to this lease or the proceeds therefrom. The commencement, drilling, completion of, reworking of or production from a well on any portion of the unit created hereunder shall have the same effect upon the terms of this lease as if a well were commenced, drilled, completed, reworked or producing on the land embraced by this lease. Lessee may place and use on each unit created hereunder common measuring and reworking tanks for production from such unit. If lessee does create any such unit or units under the rights herein granted, then lessee shall execute in writing and record in the county or counties in which each such unit or units created hereunder may be located an instrument identifying and describing each such unit or units so created. The development of and production from each such unit shall be in accordance with the valid orders, rules and regulations of the lawful authority, either Federal or State, having jurisdiction in the premises. Any such unit created by lessee in accordance with the terms hereof may be released and dissolved by lessee by a release filed for record in the county or counties in which such unit is located at any time after the completion of a dry hole or the cessation of production on such unit. The provisions of this paragraph shall be construed as a covenant running with the land and shall inure to the benefit of and be binding upon the parties hereto, their heirs, legal representatives, successors and assigns.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 90 days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall terminate if Lessee commences operations for drilling or reworking within 90 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 90 consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 200 feet of and draining the leased premises or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

6. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for all operations hereunder, including repressuring, pressure maintenance, cycling, and secondary recovery operations, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent.

7. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail to comply with any provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall not be in default. Should more than six parties become entitled to royalties hereunder, Lessee may require the appointment of a single agent to receive payment for all and may withhold payment until such appointment has been made.

8. When drilling or other operations are delayed or interrupted by storm, flood, or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of the government, or as a result of any cause whatsoever beyond the control of the lessee, the time of such delay or interruption shall not be counted against lessee, anything in this lease to the contrary notwithstanding. All express or implied covenants of this lease shall be subject to all Federal and State laws, Executive orders, rules or regulations and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation. And if from such cause lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from, the leased premises or land pooled therewith, the time while lessee is so prevented shall not be counted against lessee, and this lease shall be extended for a period of time equal to that during which such lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from, such leased premises or land pooled therewith, notwithstanding any other provision hereof.

9. The breach by lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event lessor considers that operations are not at any time being conducted in compliance with this lease, lessor shall notify lessee in writing of the facts relied upon as constituting a breach hereof, and lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil, gas or other mineral in paying quantities on said premises, lessee shall reasonably develop the acreage retained hereunder, but in discharging this obligation it shall in no

event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities. And one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other minerals in paying quantities.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that, if lessor owns an interest in said land less than the entire fee simple estate, then the royalties to be paid lessor shall be reduced proportionately; should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to the acreage so surrendered.

IN WITNESS WHEREOF, we sign the day and year first above written.

WITNESSES:

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public,

_____, in and for said County, Texas, on this day personally appeared

known to me to be the person whose name _____ subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This _____ day of _____, A D. 19____

(L. S.)

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public,

_____, in and for said County, Texas, on this day personally appeared

known to me to be the person whose name _____ subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This _____ day of _____, A D. 19____

(L. S.)

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS,
COUNTY OF _____

BEFORE ME, the undersigned, a Notary Public,

_____, in and for said County, Texas, on this day personally appeared

whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said

corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, This _____ day of _____, A D. 19____

(L. S.)

No.	OIL AND GAS LEASE	FROM	TO	Dated	No. Acres	County, Texas.	Term	This instrument was filed for record on the	day of	19	at	o'clock	M., and duly recorded in	Volume	Page	of the records of this office.	County Clerk.	Deputy.	When recorded return to

EXHIBIT " C "

Attached to and made a part of that certain Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators, covering the Bluitt Prosepct in Roosevelt county, New Mexico. (NM015)

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at First City National Bank of Midland, TX on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors ~~XXXXXX~~ employed in connection with the Joint Property.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed Eighty percent (80.0 %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

- A. Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.
- B. Expenses incurred by Operator in representing the joint property at hearings or proceedings before state or federal regulatory or administrative agencies.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. ~~In the event Joint Operations are conducted in a state in which Operator may act as self insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.~~

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

I. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

Fixed Rate Basis, Paragraph 1A, or
 ~~Percentage Basis, Paragraph 1B~~

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

~~shall be covered by the overhead rates, or~~
 shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

~~shall be covered by the overhead rates, or~~
 shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,000.00
 (Prorated for less than a full month)

Producing Well Rate \$ 300.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

~~B. Overhead - Percentage Basis~~

- ~~(1) Operator shall charge the Joint Account at the following rates:~~

~~(a) Development~~~~_____ Percent (_____ %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.~~~~(b) Operating~~~~_____ Percent (_____ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.~~~~(2) Application of Overhead - Percentage Basis shall be as follows:~~~~For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.~~**2. Overhead - Major Construction**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$25,000.00 :

- A. 3.0 % of first \$100,000 or total cost if less, plus
 B. 2.0 % of costs in excess of \$100,000 but less than \$1,000,000, plus
 C. 1.0 % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 3.0 % of total costs through \$100,000; plus
 B. 2.0 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
 C. 1.0 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

(a) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.

(4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph I.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration, et al, as Non-Operators, covering the Bluitt Prospect Roosevelt County, New Mexico. (NM015)

At all times during the conducting of operations hereunder, Operator shall maintain in force the following insurance:

- A. Worker's Compensation to satisfy the requirements of any State or Federal Worker's Compensation Act applicable to operations conducted by the Operator for the Joint Account, including Employer's Liability Insurance, with limits sufficient to satisfy the underlying insurance requirements of the Umbrella Excess Policy described in Paragraph D. of this Section.
- B. Comprehensive General Liability, including Contractual Liability, for bodily injury and property damage, with limits of liability not less than \$300,000.00 covering injury to or death of one person and not less than \$300,000.00 covering injury to or death of more than one person by reason of one accident, and Property Damage Liability Insurance with limits of not less than \$100,000.00 for each accident and \$100,000.00 in the aggregate and sufficient to satisfy the underlying insurance requirements of the Umbrella Excess Policy described in Paragraph D. of this Section.
- C. Comprehensive Automobile Liability, including liability arising out of non-owned and hired cars, for bodily injury and property damage with limits of liability sufficient to satisfy the underlying insurance requirements of the Umbrella Excess Policy described in Paragraph D. of this Section.
- D. Umbrella Excess Liability with a limit of \$5 million.
- E. Operator's Extra Expense -- Control of Well, as respects drilling, deepening, or workover wells, including (1) the cost of control of a well in the event of a blowout; (2) Bodily Injury or Property Damage Liability caused by pollution, seepage or contamination; (3) pollution cleanup; (4) extinguishing of an oil or gas well fire; and (5) redrilling/recompletion of the well, with a limit of \$3,000,000.00 for wells less than 10,000 feet in depth and \$5,000,000.00 for wells in excess of 10,000 feet in depth.

All premiums paid on such insurance shall be charged to the Joint Account. Except by mutual consent of the parties, no other insurance shall be maintained for the Joint Account and all losses not covered by such insurance shall be charged to the Joint Account.

The failure of the above described policies to cover any loss that may occur, or the insolvency of the insurance carrier selected by the Operator, shall not be deemed negligence of the Operator or lack-of due diligence upon the part of the Operator.

In the event any insurance on this Exhibit is not available (or becomes unavailable) at reasonable premium rates in the judgement of the Operator, then the Operator shall not be required to obtain or continue such insurance in force.

END OF EXHIBIT "D"

EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration, et al, as Non-Operators, covering the Bluitt Prospect in Roosevelt County, New Mexico. (NM015)

GAS STORAGE AND BALANCING AGREEMENT

- (1) During the period or periods when any party hereto has no market for, or its purchaser is unable to take, or if any party fails to take, its share of gas (such a party or parties called individually or collectively "underproduced party"), the other party or parties (called individually or collectively "overproduced party") shall be entitled to produce each month one hundred percent (100%) of the allowable gas production assigned to the Unit Area by the appropriate governmental entity having jurisdiction, and such overproduced party shall have the right to take all of the share of the underproduced party, subject to the provisions hereof, until such underproduced party shall exercise its rights to take its share of such gas production. All parties hereto shall share in and own all the condensate as actually recovered at the surface in accordance with their respective interests, but the overproduced party taking all such gas may sell and deliver all such gas to its purchaser(s), subject to the provisions hereof. Thereafter each underproduced party shall be credited with gas in storage equal to its share of the gas produced, less its share of gas used in lease operations, vented or lost. Operator shall maintain a current account of the gas balance between the parties and shall furnish all parties hereto monthly statements showing the total quantity of gas produced, used in lease operations, vented and/or lost, and the total quantity of condensate recovered.
- (2) After notice to Operator and the overproduced party, an underproduced party may begin taking and/or delivering its share of the gas produced. In addition to its share, each underproduced party, until it has recovered its gas in storage and balanced its gas account, shall be entitled to take or deliver a volume of gas equal to thirty-seven and one-half percent (37-1/2%) of the overproduced party's share of gas produced. If "underproduced party" constitutes more than one party entitled to the additional gas produced, such parties shall divide such additional gas in accordance with their shares of Unit participation.
- (3) At all times while gas is produced from the Unit Area, each party shall make appropriate settlement of all royalties, overriding royalty interests, and other like payments for which it is responsible (referred to collectively as "royalty") as if each party were actually taking or delivering to a purchaser its share, and its share only, of such gas production, provided that during any period of imbalance, the overproduced party shall remit to the underproduced party the royalty share of production proceeds of the underbalanced party's Unit share of gas being taken by the overproduced party. In lieu of making payment of such royalty share of proceeds to the underproduced party, the overproduced party may, if it so elects, make payment directly to the royalty owners of the underproduced party.
- (4) Each party producing and/or delivering gas to its purchaser(s) shall pay any and all production taxes due on such gas.
- (5) When the gas sales from a reservoir in a gas well permanently cease, Operator shall be responsible for determining the final account of underproduction and overproduction. Each overproduced party shall compensate each underproduced party in accordance with said accounting with a sum of money equal to the amount actually received from the sale of underproduced party's share of gas by such overproduced party during each period of overproduction not theretofore recovered by underproduced party pursuant to Paragraph (2) above, less applicable taxes, on a cumulative basis. Payment for such overproduction shall be in the order of accrual with actual recovery of underproduced gas by underproduced party prior to such cessation of production being accounted for as to storage and withdrawal on a first in - first out basis. If such overproduced party has paid the royalties attributable to such overproduction, the amount of such royalties shall be deducted from such payment.

EXHIBIT "E"

- (6) The provisions of this agreement shall be separately applicable to each well and each reservoir within each well to the end that production from one reservoir in a gas well may not be utilized for the purpose of balancing underproduction from other reservoirs or gas wells.
- (7) Nothing herein contained shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred in joint operations as its share thereof is set forth in the above described Operating Agreement.

END OF EXHIBIT "E"

EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration, et al, as Non-Operators, covering the Bluitt Prospect in Roosevelt County, New Mexico. (NM015)

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the Operator agrees as follows:

- 1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other form of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided for the contracting officer setting forth the provision of this non-discrimination clause.
- 2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- 3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- 4) The Operator will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and the rules, regulations, and relevant orders of the Secretary of Labor.
- 5) The Operator will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- 6) In the event of Operator's non-compliance with the non-discrimination clauses of this contract or with any such rules, regulations, or orders,, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rules, regulations, or order of the Secretary of Labor, or as otherwise provided by law.
- 7) The Operator will include the provisions of paragraph (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontract or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance: Provided, however that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that it may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with the appropriate agency within thirty (30) days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order No. 11246, as amended, and Rules and Regulations adopted thereunder.

Operator further acknowledges that it may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order No. 11246 and supply Non-Operators with a copy of such program if they so request.

CERTIFICATION OF NON-SEGREGATED FACILITIES

Operator assures Non-Operators that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on basis of race, color, religion or national origin, because of habit, local custom or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order No. 11246 of September 24, 1965.

Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 the The Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated contracts between the United States of America and Non-Operators.

Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. 1001.

END OF EXHIBIT "F"

EXHIBIT "1"

Attached to and made a part of the Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators, covering the Bluitt Prospect in Roosevelt County, New Mexico. (NM015)

MEMORANDUM OF OPERATING AGREEMENT

STATE OF NEW MEXICO §

COUNTY OF ROOSEVELT §

Reference is made to that certain Model Form Operating Agreement, A.A.P.L. Form 610-1982, dated the 1st day of August, 1988, wherein OGS Operating Company, Inc., whose address is 1140 Two First City Center, Midland, Texas 79701, is named Operator, and each of the undersigned is named as a Non-Operator, covering the Contract Area consisting of lands located in Roosevelt County, New Mexico, more particularly described on Exhibit "1-A" attached hereto and made a part hereof.

The terms and provisions of the referenced Operating Agreement are incorporated in and made a part hereof. Article VII. B. and Article XV. D. of the referenced Operating Agreement grants to Operator and to Non-Operators a lien upon each party's oil and gas rights in the Contract Area and a security interest in each party's interest in oil and/or gas when produced, accounts, proceeds, contract rights, fixtures and personal property and equipment now or hereafter used to secure payment of each party's share of expenses, together with interest, for the development and operation of the Contract Area. Oil and/or gas or accounts will be financed at the wellhead located on the lands described in Exhibit "1-A". This instrument shall be deemed a Financing Statement.

This instrument is intended to give notice to third parties of the respective rights of each of the parties hereto under the referenced Operating Agreement and the rights of each party to undivided interests in the oil and gas rights in the Contract Area, notwithstanding the fact that the real estate records of the county where the lands described in Exhibit "1-A" are located show different rights than are reflected hereby.

A fully-executed copy of the above-described Operating Agreement is available in the offices of Operator at the address shown above.

Each of the undersigned Non-Operators agrees, at Operator's request, to join Operator in executing one or more copies of this instrument at any time and from time to time whenever filing or recording this instrument is deemed by Operator to be necessary or desirable.

This instrument may be executed in multiple counterparts by each of the undersigned, and Operator is hereby authorized to assemble such counterparts into one document.

DATED and effective as of the date of the above-described Operating Agreement.

OGS OPERATING COMPANY, INC.

By: _____
Thom O'Brien
Vice-President

STATE OF TEXAS §

COUNTY OF MIDLAND §

This instrument was acknowledged before me on the _____ day of _____, 1988, by Thom O'Brien as Vice-President of OGS Operating Company, Inc., a Texas corporation, on behalf of said corporation.

NOTARY PUBLIC
STATE OF TEXAS

SIGNATURE PAGE: to that certain Memorandum of Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluitt Prospect, Roosevelt County, New Mexico. (NM015)

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

[Signature]
By: T. B. O'Brien
Managing General Partner

MURPHY OPERATING CORPORATION

ATTEST:

By: _____
Title: _____

By: _____
Title: _____

THE WISER OIL COMPANY

ATTEST:

By: _____
Title: _____

By: _____
Title: _____

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on 1st day of November, 1988 by T. B. O'Brien as Managing General Partner of O'Brien Goins Simpson Exploration Company, on behalf of said partnership.



SARAH MATCHUS
Notary Public, State of Texas
My Commission Expires June 9, 1989

[Signature]
Notary Public for the State of Texas

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on _____ day of _____, 1988 by _____ as _____ of Murphy Operating Corporation, on behalf of said corporation.

Notary Public for the State of _____

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on _____ day of _____, 1988 by _____ as _____ of The Wisser Oil Company, on behalf of said corporation.

Notary Public for the State of _____

SIGNATURE PAGE to that certain Memorandum of Operating Agreement dated August 1, 1988 by and between CGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluitt Prospect, Roosevelt County, New Mexico. (NM015)

NON-OPERATORS

O'BRIEN GOINS SIMPSON EXPLORATION COMPANY

By: T. B. O'Brien
Managing General Partner

MURPHY OPERATING CORPORATION

ATTEST:

By: _____
Title: _____

By: _____
Title: _____

THE WISER OIL COMPANY

ATTEST:

By: _____
Title: _____


By: John C. Wright
Title: President

STATE OF TEXAS §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on _____ day of _____, 1988 by T. B. O'Brien as Managing General Partner of O'Brien Goins Simpson Exploration Company, on behalf of said partnership.

Notary Public for the State of Texas

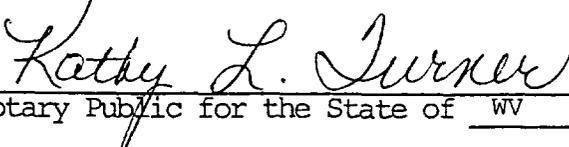
STATE OF _____ §
COUNTY OF _____ §

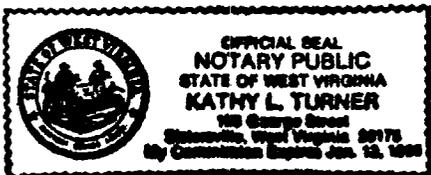
This instrument was acknowledged before me on _____ day of _____, 1988 by _____ as _____ of Murphy Operating Corporation, on behalf of said corporation.

Notary Public for the State of _____

STATE OF WEST VIRGINIA §
COUNTY OF TYLER §

This instrument was acknowledged before me on 10th day of October, 1988 by John C. Wright as President of The Wisser Oil Company, on behalf of said corporation.


Notary Public for the State of WV



SIGNATURE PAGE to that certain Memorandum of Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluit Prospect, Roosevelt County, New Mexico. (NM015)

NON-OPERATORS

WALTER DUNCAN, INC.

ATTEST:

By: _____
Title: _____

TOM L. INGRAM

By: _____
Title: _____

JOAN L. INGRAM

J. E. CIESZINSKI

DRUSILLA C. CIESZINSKI

J. E. Cieszinski

EARL J. LATIMER

Drusilla C. Cieszinski

DRUSILLA C. CIESZINSKI

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on _____ day of _____, 1988 by _____ as _____ of Walter Duncan, Inc., on behalf of said corporation.

Notary Public for the State of _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on _____ day of _____, 1988 by Tom Ingram and wife, Joan L. Ingram.

Notary Public for the State of _____

STATE OF NEW MEXICO §
COUNTY OF CHAVES §

This instrument was acknowledged before me on 16th day of AUGUST, 1988 by J. E. Cieszinski and wife, Drusilla C. Cieszinski.

My Commission Expires:
February 15, 1991.

Nancy Regina Finley

Notary Public for the State of New Mexico.

STATE OF _____ §
COUNTY OF _____ §

Nancy Regina Finley

This instrument was acknowledged before me on _____ day of _____, 1988 by Earl J. Latimer and wife, _____.

Notary Public for the State of _____

SIGNATURE PAGE to that certain Memorandum of Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluitt Prospect, Roosevelt County, New Mexico. (NM015)

NON-OPERATORS

WALTER DUNCAN, INC.

ATTEST:

Kenneth R. Ingram
By: _____ Secretary
Title: _____

Walter Duncan, Jr.
By: _____ J. Walter Duncan, Jr.
Title: _____ President

TOM L. INGRAM

JOAN L. INGRAM

J. E. CIESZINSKI

DRUSILLA C. CIESZINSKI

EARL J. LATIMER

STATE OF OKLAHOMA §
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on _____ day of September, 1988 by J. Walter Duncan, Jr. as President of Walter Duncan, Inc., on behalf of said corporation.

My commission expires: August 23, 1992

Cheryl Millard
Notary Public for the State of Oklahoma

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on _____ day of _____, 1988 by Tom Ingram and wife, Joan L. Ingram.

Notary Public for the State of _____

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on _____ day of _____, 1988 by J. E. Cieszinski and wife, Drusilla C. Cieszinski.

Notary Public for the State of _____

STATE OF §
COUNTY OF §

This instrument was acknowledged before me on _____ day of _____, 1988 by Earl J. Latimer and wife, _____.

Notary Public for the State of _____

SIGNATURE PAGE to that certain Memorandum of Operating Agreement dated August 1, 1988 by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration Company, et al, as Non-Operators covering the Bluit Prospect, Roosevelt County, New Mexico. (NM015)

NON-OPERATORS

WALTER DUNCAN, INC.

ATTEST:

By: _____
Title: _____

TOM L. INGRAM

By: _____
Title: _____

JOAN L. INGRAM

J. E. CIESZINSKI

DRUSILLA C. CIESZINSKI

EARL J. LATIMER

PATSY M. LATIMER

Earl J. Latimer

STATE OF _____ §
COUNTY OF _____ §

X Patsy M. Latimer

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on 18th day of October, 1988 by _____ as _____ of Walter Duncan, Inc., on behalf of said corporation.

Lois Coffee

Notary Public for the State of N.M.

STATE OF _____ §
COUNTY OF _____ §

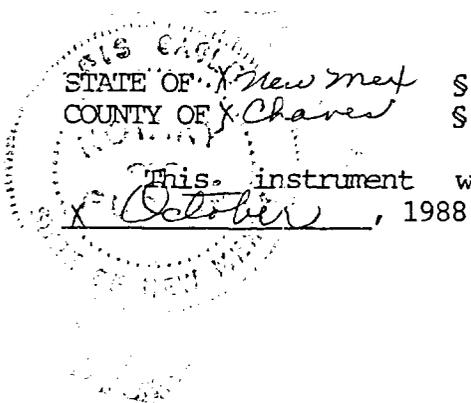
This instrument was acknowledged before me on _____ day of _____, 1988 by Tom Ingram and wife, Joan L. Ingram.

Notary Public for the State of _____

STATE OF _____ §
COUNTY OF _____ §

This instrument was acknowledged before me on _____ day of _____, 1988 by J. E. Cieszinski and wife, Drusilla C. Cieszinski.

Notary Public for the State of _____



STATE OF New Mexico §
COUNTY OF Chavez §

This instrument was acknowledged before me on 18th day of October, 1988 by Earl J. Latimer and wife, X Patsy M. Latimer

X Lois Coffee

Notary Public for the State of N.M.

EXHIBIT "1-A"

Attached to and made a part of that certain Memorandum of Operating Agreement dated August 1, 1988, by and between OGS Operating Company, Inc., as Operator, and O'Brien Goins Simpson Exploration, et al, as Non-Operators, covering the Bluit Prospect in Roosevelt County, New Mexico. (NM015)

I. LANDS SUBJECT TO THIS AGREEMENT:

Township-8-South, Range-37-East, N.M.P.M.
 Section 14: West Half (W/2)
 Roosevelt County, New Mexico
 containing 320 acres, more or less.

II. RESTRICTIONS AS TO DEPTHS, FORMATIONS AND SUBSTANCES:

This Operating Agreement covers all oil, gas and associated hydrocarbon rights from the surface of the earth to the base of the San Andres Formation, as commonly found below the base of the Grayburg Formation and above the top of the Glorietta Formation.

III. PERCENTAGE INTEREST OF THE PARTIES TO THIS AGREEMENT:

<u>Working Interest Owner</u>	<u>Before Payout of Each Well</u>	<u>After Payout of Each Well</u>
1. OGS Operating Co., Inc.	0.010000	0.0100000
2. O'Brien Goins Simpson Exploration Company	0.795000	0.6421875
3. The Wiser Oil Company	0.187500	0.1875000
4. Murphy Operating Corporation	0.000000	0.1031250*
5. Walter Duncan, Inc.	0.000000	0.0140625
6. Tom Ingram, et ux	0.000000	0.0337500*
7. J. E. Cieszinski, et ux	0.000000	0.0018750*
8. Earl A. Latimer, et ux	<u>0.007500</u>	<u>0.0075000</u>
TOTALS	1.000000	1.0000000

* If Operator commences operations for a substitute test well as more particularly described in Farmout Agreement dated August 1, 1988, Page 2, Paragraph II. C. on lands other than the N/2NW/4 of Section 14, Township 8 South, Range 37 East, N.M.P.M. in the Farmout Area, and said well is producing oil and/or gas in commercial quantities, the after payout percentage of each well under the drilling unit in the W/2 of Section 14, Township 8 South, Range 37 East, shall be:

	<u>After Payout of Each Well</u>
Murphy Operating Corporation	0.13750
Tom L. Ingram	0.04500
J. E. Cieszinski	0.00250

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT:

1. Lessor: Monta Ruth Bilberry Perry, Life Estate,
Nancy C. Belcher, Remainderman, and
Grace Bilberry Dean
Lessee: O'Brien Goins Simpson Exploration
Dated: September 23, 1987
Recorded: Volume 124, Page 638 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
2. Lessor: Schumacher Oil Company
Lessee: O'Brien Goins Simpson Exploration
Dated: September 25, 1987
Recorded: Volume 124, Page 640 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
3. Lessor: Margaret Anne Eaton, et vir, Kenneth
Eaton
Lessee: O'Brien Goins Simpson Exploration
Dated: September 28, 1987
Recorded: Volume 124, Page 741 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
4. Lessor: Ben E. Taylor
Lessee: O'Brien Goins Simpson Exploration
Dated: October 13, 1987
Recorded: Volume 124, Page 743 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas
5. Lessor: Phyllis Jane Wesson
Lessee: O'Brien Goins Simpson Exploration
Dated: September 28, 1987
Recorded: Volume 124, Page 815 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: One-eighth (1/8) on oil and gas
Overriding Royalty: 0.025 on oil and gas

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT:

6. Lessor: James A. Crutchmer, Jr., et ux, Carol Ann Crutchmer
 Lessee: O'Brien Goins Simpson Exploration
 Dated: October 13, 1987
 Recorded: Volume 124, Page 817 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
7. Lessor: John Lynn Singleton
 Lessee: O'Brien Goins Simpson Exploration
 Dated: November 10, 1987
 Recorded: Volume 124, Page 991 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
8. Lessor: Richard Lloyd Singleton
 Lessee: O'Brien Goins Simpson Exploration
 Dated: November 10, 1987
 Recorded: Volume 124, Page 977 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
9. Lessor: G. B. Holman, Jr., and Amanda Holman Keef
 Lessee: O'Brien Goins Simpson Exploration
 Dated: November 17, 1987
 Recorded: Volume 125, Page 404 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.025 on oil and gas
10. Lessor: Mary Ruth Singleton, Independent Executrix of the Estate of T. F. Singleton
 Lessee: O'Brien Goins Simpson Exploration
 Dated: February 4, 1988
 Recorded: Volume 125, Page 491 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.025 on oil and gas

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT: Continued

11. Lessor: Frances Cole
 Lessee: O'Brien Goins Simpson Exploration
 Dated: May 3, 1988
 Recorded: Volume 126, Page 329 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: Three-sixteenth (3/16th) on oil and gas
 Overriding Royalty: 0.01625 on oil and gas
12. Lessor: Sara Strawder Shaw, Individually and as Independent Executrix of the Estate of Harry T. Shaw, deceased
 Lessee: O'Brien Goins Simpson Exploration
 Dated: May 3, 1988
 Recorded: Volume 126, Page 490 of the Oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: Three-sixteenths (3/16th) on oil and gas
 Overriding Royalty: 0.01625 on oil and gas
13. Lessor: Trustmark National Bank and Catherine W. Sanders, et al, Co-Trustees of the Catherine W. Sanders Marital Trust and of the Robert D. Sanders Residuary Trust
 Lessee: O'Brien Goins Simpson Exploration
 Dated: April 6, 1988
 Recorded: Volume 126, Page 415 of the oil & Gas Records of Roosevelt County, New Mexico
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: Three-sixteenths (3/16th) on oil and gas
 Overriding Royalty: 0.01625 on oil and gas
14. Lessor: David M. Hammer, Mary Hammer, Alan J. Hammer, Robert J. Hammer, Deanna J. Christensen, John E. Christensen and Mary K. Hammer
 Lessee: O'Brien Goins Simpson Exploration
 Dated: SUBJECT TO COMPULSORY POOLING
 Recorded:
 Land Covered: SW/4, Section 11; N/2NW/4, Section 14; E/2NE/4, Section 15, Township-8-South, Range-37-East, NMPM, Roosevelt County, New Mexico
 Royalty: If one-eighth (1/8th) on oil and gas under Pooling Order, then
 Overriding Royalty: 0.025 on oil and gas
 Royalty: If three-sixteenths (3/16th) on oil and gas under Pooling Order, then
 Overriding Royalty: 0.01625 on oil and gas

VI. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT: Continued

15. Lessor: Deposit Guaranty National Bank, Trustee
for George E. Shaw Heirs Trust
Lessee: O'Brien Goins Simpson Exploration
Dated: June 16, 1988
Recorded: Volume 126, Page 680 of the oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: Three-sixteenths (3/16th) on oil and
gas
Overriding Royalty: 0.01625 on oil and gas
16. Lessor: Deposit Guaranty National Bank, Trustee
for Susan Rushton Mangum Trust and Dr.
Fred Rushton, Jr.
Lessee: O'Brien Goins Simpson Exploration
Dated: June 16, 1988
Recorded: Volume 126, Page 682 of the oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: Three-sixteenths (3/16th) on oil & gas
Overriding Royalty: 0.01625 on oil and gas
17. Lessor: Walter Duncan, Inc.
Lessee: O'Brien Goins Simpson Exploration
Dated: May 1, 1988
Recorded: Volume 126, Page 345 of the oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: The North Half of the Northwest Quarter
(N/2NW/4) of Section 14, Township 8
South, Range 37 East, NMPM, Roosevelt
County, New Mexico
Royalty: Before payout of each well - 3/16th on
oil and gas, proportionately reduced
After payout of each well - 1/8th on
oil and gas
Overriding Royalty: Before payout of each well - 0.01625 on
oil and gas, After payout of each well
- 0.025 on oil and gas
18. Lessor: Ronald Rushton, et ux
Lessee: O'Brien Goins Simpson Exploration
Dated: May 3, 1988
Recorded: Volume 126, Page 329 of the Oil & Gas
Records of Roosevelt County, New Mexico
Land Covered: SW/4, Section 11; N/2NW/4, Section 14;
E/2NE/4, Section 15, Township-8-South,
Range-37-East, NMPM, Roosevelt County,
New Mexico
Royalty: Three-sixteenths (3/16th) on oil & gas
Overriding Royalty: 0.01625 on oil and gas

INSOFAR ONLY as said Leases 1 through 18 cover the N/2 of the NW/4 of Section 14, T-8-S, R-37-E, NMPM, Roosevelt County, New Mexico, containing 80.0 acres, more or less.

IV. OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT: Continued

19. Lessor: United Sates of America NM-66486
 Lessee: Murphy Minerals Corporation
 Dated: June 1, 1958
 Recorded:
 Land Covered: INSOFAR ONLY as said lease covers
 S/2NW/4 and the SW/4, Section 14,
 Township 8 South, Range 37 East, NMPM,
 Roosevelt County, New Mexico,
 containing 240 acres, more or less.
 Royalty: One-eighth (1/8th) on oil and gas
 Overriding Royalty: 0.0486717 of all oil and gas produced
 from this lease, also the interests of
 Murphy Operating Corporation, J.E.
 Cieszinski and Tom L. Ingram in this
 lease are subject to a Farmout
 Agreement dated May 1, 1988, wherein
 they reserved an overriding royalty in
 each well before payout equal to the
 difference between all existing
 leasehold burdens on the date of this
 agreement and 25%.

V. ADDRESSES AND PHONE NUMBERS OF PARTIES TO THIS AGREEMENT FOR NOTICE
 PURPOSES:

A.	OGS Operating Company, Inc. 1140 Two First City Center Midland, TX 79701	915-682-6373
B.	O'Brien Goins Simpson Exploration 1140 Two First City Center Midland, TX 79701	915-682-6373
C.	The Wiser Oil Company Box 192 Sisterville, W. VA 26175	304-652-3861
D.	Murphy Operating Corporation Box 2164 Roswell, NM 88201	505-623-7210
E.	Walter Duncan, Inc. 100 Park Avenue Bldg. Suite 1200 Oklahoma City, OK 73102	405-272-1826
F.	Tom L. Ingram Box 1757 Roswell, NM 88202	505-622-3630
G.	J. E. Cieszinski Box 3047 Roswell, NM 88201	505-622-3116
H.	Earl A. Latimer 1802 W. 4th Street Roswell, NM 88202	505-622-3363

END OF EXHIBIT "1-A"