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Exhibit No. 1

FLM-OW
8-3-62

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SUPPLEMENTAL AND AMENDATORY AGREEMENT TO
MALJAMAR COOPERATIVE AGREEMENT
(SUPPLEMENT NO. 5)
I Sec. No. 341

THIS AGREEMENT, made and entered into as of the first day of July, 1962, by and between the parties subscribing, ratifying or consenting hereto and herein referred to as the "parties hereto,"

W I T N E S S E T H:

WHEREAS, by instrument entitled "Supplemental and Amendatory Agreement to Maljamar Cooperative Repressuring Agreement (Supplement No. 4), I Sec. No. 341," that certain agreement dated the 5th day of August, 1941, entitled "Maljamar Cooperative Repressuring Agreement," together with all prior amendments thereof, were further amended and supplemented and consolidated together in a single instrument so entitled, which Supplement No. 4 agreement was approved by the Secretary of the Interior on February 5, 1960, and by the Commissioner of Public Lands of the State of New Mexico on December 23, 1959, and is now in full force and effect; and

WHEREAS, among the parties hereto are all of the parties who, as owners of working interests under oil and gas leases committed thereto, were parties to such prior agreement as so amended; and

WHEREAS, said Supplement No. 4 agreement contemplates the possibility that waterflooding or other secondary recovery operations other than the then existing gas injection pressure maintenance program might become desirable in order to more fully and completely recover the oil and gas within one or more

50% net operating int
50% cumulative

formations underlying the Cooperative Area covered thereby; and

WHEREAS, such parties and the other parties hereto owning royalty, overriding royalty, production payment or other like interests in the oil and gas underlying the Cooperative Area believe that the Grayburg-San Andres formations, as herein-after defined, underlying the Participating Area hereinafter described, should now be subjected to such a secondary recovery operation in order to effect a greater ultimate recovery of oil and gas producible from such formations underlying said lands, and that the greatest ultimate recovery can be effected by fully unitizing that portion of the Cooperative Area included within such Participating Area and by providing for the full unitization of such additional lands as may hereafter be ready for such secondary recovery operations and which should hereafter be included in such Participating Area, and the parties hereto, together with the United States of America as to federal lands located within the Cooperative Area, by the Secretary of the Interior or his delegate, and the State of New Mexico as to lands of the State of New Mexico lying within the Cooperative Area by its Commissioner of Public Lands, as evidenced by their respective certificates hereto, desire to effect such full unitization for the purposes aforesaid;

NOW, THEREFORE, in consideration of the premises, it is mutually agreed by and between the parties hereto that the aforesaid agreement of August 5, 1941, as heretofore so supplemented and amended, shall be and same is hereby further supplemented and amended so that the following articles hereof as hereinafter set forth shall, with respect only to the Grayburg-San Andres formations, as defined herein, underlying the Participating Area hereinafter described, or any enlargement thereof, be and become effective as between all of such parties, the said

Supplement No. 4 remaining in full force and effect as to all other formations underlying such Cooperative Area, and as to the Grayburg-San Andres formations lying without such Participating Area but within the Cooperative Area described in such Supplement No. 4 until any such land may hereafter be included in an enlarged Participating Area pursuant to the provisions hereof.

I

The provisions of the following sections of said Supplement No. 4, to the extent not inconsistent herewith, shall be applicable hereto: Sections I (ENABLING ACT AND REGULATIONS), II (COOPERATIVE AREA), V (LEASEHOLD INTERESTS COMMITTED), VI (EXPANSION OF COOPERATIVE AREA), VIII (NATURAL GASOLINE, OTHER PRODUCTS AND RESIDUE GAS) (except as modified herein), XII (RENTAL SETTLEMENT), XIII (ROYALTY SETTLEMENT) (except as modified herein), XIV (CONSERVATION), XV (LEASES CONFORMED TO AGREEMENT), XVI (COVENANTS RUN WITH LAND), XVIII (RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION), XIX (EXISTING AGREEMENTS NOT CANCELLED), XX (SUSPENSION OF OBLIGATIONS), XXI (NOTICES), XXII (NO WAIVER OF CERTAIN RIGHTS), XXIV (WARRANTY OF TITLE) and XXV (COUNTERPARTS) thereof, and subparagraphs 1 and 2 of Section XI (PRESSURE MAINTENANCE AND SECONDARY RECOVERY OPERATIONS) (except to the extent that this agreement modifies the same) and Section XXIII (STATUS OF PARTIES AND SUBSEQUENT JOINDER) thereof (except, however, that any subsequent joinder under the provisions of said Section XXIII (STATUS OF PARTIES AND SUBSEQUENT JOINDER), from and after the date hereof, shall likewise serve to commit the interest of any such subsequently joining party to the provisions of this Supplement No. 5 and to the full unitization provided for herein as to lands within the Participating Area, or any enlargement thereof, and to the provisions for subsequent commitment thereto upon any such enlargement thereof.) All

other of the provisions of said Supplement No. 4 are superseded by the provisions hereof.

The parties hereto commit their respective interests within the Cooperative Area described in said Supplement No. 4 to the terms hereof.

This agreement shall apply only to the Grayburg-San Andres formations underlying the Cooperative Area. Lands included within the Participating Area, or any enlargement thereof, shall continue to be subject in all things to the terms and provisions of said Supplement No. 4. Lands within the Participating Area hereinafter described or any enlargement thereof shall, as to the Grayburg-San Andres formations being fully unitized hereunder, be governed by the following provisions hereof.

II

UNIT AREA AND PARTICIPATING AREA: The following described lands comprise the Cooperative Area as described in said Supplement No. 4 agreement:

Township 17 South, Range 32 East, N.M.P.M.,
Lea County, New Mexico:
Sections 14 to 23 inclusive
Sections 25 to 35 inclusive

Township 17 South, Range 33 East, N.M.P.M.,
Lea County, New Mexico:
West Half (W/2) Section 30

containing 13,786.66 acres, more or less.

Said Cooperative Area shall be the Unit Area.

The following described lands lying within such Cooperative Area are hereby designated and recognized as constituting the Participating Area for the Grayburg-San Andres formations:

Township 17 South, Range 32 East, N.M.P.M.,
Lea County, New Mexico:
Section 15: SW/4 SW/4
Section 16: S/2 SE/4, S/2 SW/4, W/2 NW/4,
NE/4 NW/4
Section 17: E/2 SE/4, E/2 NE/4, NW/4 NE/4,
SE/4 NW/4, S/2 SW/4
Section 18: SW/4 SW/4

Section 19: All
Section 20: All
Section 21: All
Section 22: All, except N/2 NE/4 and NE/4 NW/4
Section 23: All, except N/2 NE/4
Section 25: All, except S/2 SW/4 and SW/4 SE/4
Section 26: All, except E/2 SE/4 and SW/4 SE/4
Section 27: All
Section 28: All
Section 29: All
Section 30: All
Section 31: NE/4 NW/4
Section 33: N/2
Section 34: W/2 NW/4, NE/4 NW/4, NW/4 NE/4

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

Section 30: NW/4, N/2 SW/4
Embracing ~~7,853.20~~ acres more or less.

8,055.16

There is attached hereto as Exhibit "A" a map showing the Cooperative Area and particularly the Participating Area embraced therein, the classes of land involved, the boundaries of the respective leasehold interests within said area, and the tract numbers thereof corresponding to the tract numbers shown on Exhibit "B" attached hereto. These tract numbers in turn correspond with the tract numbers in Exhibits "A" and "B" to such Supplement No. 4, except to the extent that less than all of a tract shown on such Exhibits "A" and "B" to such Supplement No. 4 are included within the above described Participating Area, in which event a letter "X" designation has been employed following the tract number to indicate that part of such a Supplement No. 4 tract lying within the Participating Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Operator, the acreage, percentage and kind of ownership of oil and gas interests in the tracts comprising the Participating Area insofar as the fully unitized formations are concerned. However, nothing herein or in said Exhibits contained shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said Exhibits as owned by such party. For the

sake of convenience, percentages have been employed whether or not the interest as created is expressed in terms of percentage or as a fractional interest, and each party hereto commits the entire interest in fact owned by him to this agreement whether or not the percentage employed to indicate his interest is wholly correct. Operator, as such, is relieved of any responsibility for any defect in or failure of any title or interest hereunder. Exhibits "A" and "B" may be revised by the Operator as hereinafter provided whenever changes in the Participating Area renders such revisions necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner," and not less than seven copies of the revised exhibits shall be filed with the Supervisor and one copy thereof shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission."

III

SUBSTANCES FULLY UNITIZED: All oil and gas produced from the Grayburg-San Andres formations underlying the Participating Area, as herein defined, are hereby fully unitized and are hereinafter referred to as "fully unitized substances."

For the purpose of this agreement, the unitized formations (also referred to in this agreement as the Grayburg-San Andres Formations) are identified and limited to that part of the Grayburg and San Andres Formations from the top thereof (found at the stratigraphic equivalent of 3419 feet on the Gamma Ray-Neutron Log of the Baish "B" well No. 36 located 554 feet from the north and west lines of Section 28, T-17-S, R-32-E, N.M.P.M.) to a depth of -700 feet subsea.

IV

EXPANSION: The above described Participating Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for inclusion in order to more fully accomplish the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) Any 40-acre legal subdivision of lands or lot equivalent lying within the Cooperative Area but outside the Participating Area shall be eligible for inclusion within the Participating Area insofar as the fully unitized formations covered hereby are concerned whenever a well located thereon is capable of producing from the unitized formations. Subject to the approval of the Director and the Commissioner, the working interest owner or owners of such developed tract and the working interest owner or owners of all tracts within the Participating Area shall determine that such developed tract should be included in order to accomplish the purposes of this agreement, all as provided in the following subsections of this section.

Whenever a 40-acre legal subdivision of lands or lot equivalent lying within the Cooperative Area but outside the Participating Area upon which there is no well capable of producing fully unitized substances is considered to be desirable for inclusion within the Participating Area in order to more fully accomplish the purposes of this agreement, then such tract may be so included within the Participating Area in accordance with the following subsections of this section except that the working interest owner or owners of such undeveloped tract may not initiate the request for inclusion contemplated by subsection (b) hereof, and the tract participation to be assigned such tract may be determined as provided in subsection (c) hereof.

(b) Either the working interest owner or owners of such a developed tract, or the working interest owners within the then Participating Area, or the Director, or the Commissioner, may initiate a demand addressed to the others that such tract be included within the Participating Area. Such demand shall set forth a short statement of the reasons why such tract should be included within the Participating Area and shall state a proposed tract participation for such tract.

(c) Thereupon, Operator and the owner or owners of the working interest in such tract shall meet and seek to determine, on the basis of reasonable negotiation the estimated recoverable reserves of fully unitized substances underlying such tract in relation to recoverable reserves of fully unitized substances underlying the Participating Area, the tract participation that should be assigned to such tract; provided, however, if the owner of the working interest in any such tract proposed for inclusion within the Participating Area is the Operator hereunder, then the working interest owners exclusive of Operator shall select a qualified person to meet with the Operator in its capacity as a working interest owner and seek to determine, on the basis aforesaid, the tract participation that should be assigned to such tract, and such person for such limited purpose shall act as if he were the operator hereunder. If and when such parties agree upon the tract participation that should be assigned to such tract, Operator thereupon, subject to the approval of the working interest owners of the then Participating Area and subject to an appropriate agreement between the working interest owner or owners of such tract and the working interest owners in the then Participating Area covering an adjustment of investment on account of the inclusion of such tract, both as provided in the Operating Agreement hereinafter provided for, shall prepare a notice of the proposed expansion, describing the tract so to

be included within the Participating Area and the tract participation assignable thereto. Copies of such notice shall be mailed to the Supervisor, the Commissioner, the Commission, each working interest owner of the then Participating Area, and the working interest owner or owners of the tract proposed for inclusion.

(d) Each addressee of the notice provided for above shall have thirty (30) days from the date of such notice within which to file objections to the proposed expansion of the Participating Area, and after the lapse of such 30-day period, unless at least two or more working interest owners with a combined participation of at least five percent (5%), based upon total tract participations of the working interest owners in the then Participating Area, file objections with the Operator, the Commissioner and the Supervisor to such proposed expansion, then the expansion shall be subject to approval by the Director and the Commissioner, effective as of 7:00 a.m. on the first day of the month following such approvals. Such tract will then be included within the Participating Area as fully as if initially a part thereof.

(e) If the tract proposed for inclusion within the Participating Area has as the owner of a royalty interest therein, or of an overriding royalty, production payment or other payment based upon production, one other than the United States of America or the State of New Mexico, then the working interest owner or owners of the tract to be included shall during such 30-day period exercise their best efforts to procure a ratification of this unitization by the owner or owners of any such interest. If anyone other than the United States of America or the State of New Mexico is the owner of the basic royalty under the oil and gas lease covering such tract, then unless all of the owners of such royalty sign such a ratification before the expiration of such

30-day period Unit Operator may withdraw such notice of proposed expansion, unless all working interest owners agree to the inclusion of such tract within the Participating Area with a lesser percentage of the basic royalty committed hereto. In any event, the burden of any unsigned royalty interest or overriding royalty, production payment or other such interest shall be borne as hereinafter provided.

There shall be no contraction of the Participating Area, or of any enlarged Participating Area.

Upon any revision of the Participating Area, the revised tract participations of the respective tracts in whole or in part within the Participating Area prior to such revision shall remain in the same ratio one to another.

V

OPERATOR: Continental Oil Company, a Delaware corporation, is hereby designated as Operator for the fully unitized formations underlying the Participating Area, and by signing this instrument in such capacity it agrees and consents to accept the duties and obligations of Operator for the operation, development and production of fully unitized substances as herein provided. Whenever reference is made herein to the Operator, such reference means the Operator acting in that capacity and not as an owner of interests in fully unitized substances, and the term "working interest owner" when used herein shall include or refer to Operator as the owner of a working interest when such an interest is owned by it.

VI

RESIGNATION OR REMOVAL OF OPERATOR: Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release it from the duties and obligations of Operator and terminate Operator's rights as such

for a period of six (6) months after written notice of intention to resign has been given by Operator to all working interest owners, the Commissioner and the Supervisor, unless a new Operator shall have taken over and assumed the duties and obligations of Operator prior to the expiration of said period.

The resignation of Operator shall not release Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the affirmative eighty-five percent (85%) vote of the committed working interest owners (on the basis of participation within the Participating Area) exclusive of the working interest owner who is the Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Supervisor. In the event Operator should sell or otherwise dispose of its working interests within the Participating Area, then the Operator shall be deemed to have resigned, and such resignation and selection of a new operator shall be governed by the provisions of this Article VI and of Article VII.

In all such instances of effective resignation or removal, until a successor to Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for the performance of the duties of the Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Manager to represent them in any action to be taken hereunder.

The resignation or removal of Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Operator

becoming effective, such Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the operations hereunder and owned by the working interest owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Participating Area) to the new duly qualified successor Operator or to the Manager if no such new Operator is elected, to be used for the purpose of conducting operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

VII

SUCCESSOR OPERATOR: Whenever the Operator shall tender its resignation or shall be removed as hereinabove provided, the working interest owners shall select a successor Operator by a majority vote of the working interest owners (on the basis of participation within the Participating Area), provided no working interest owner who has been Operator and who has been removed may vote for self-succession. Such selection shall not become effective until (a) an Operator so selected shall accept in writing the duties and responsibilities of Operator, and (b) the notice of selection shall have been delivered to the Commissioner and the Supervisor. If no successor Operator or Manager is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this agreement terminated.

VIII

ACCOUNTING PROVISIONS AND OPERATING AGREEMENT: Costs

and expenses incurred by Operator in conducting operations hereunder for the production of fully unitized substances shall be paid and apportioned among the working interest owners in accordance with the Grayburg-San Andres Operating Agreement of even date herewith between working interest owners owning working interests in one or more tracts within the Participating Area.

No such Grayburg-San Andres Operating Agreement shall be deemed to modify any of the terms and conditions of this agreement or to relieve the Operator of his right or obligation established under this agreement, and in case of any inconsistency or conflict between this agreement and the Grayburg-San Andres Operating Agreement, this agreement shall prevail. Two true copies of any Grayburg-San Andres Operating Agreement executed pursuant to this section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor prior to the approval of this agreement. That certain Cooperative Operating Agreement dated the 1st day of December, 1959, between working interest owners of lands included within the Cooperative Area shall continue in effect as to lands within the Cooperative Area but outside the Participating Area insofar as the Grayburg-San Andres formations are concerned and insofar as all other formations are concerned, to all lands within the Cooperative Area; and in connection with gas injection shall remain in full force and effect as to any gas injection anywhere within the Cooperative Area.

IX

RIGHTS AND OBLIGATIONS OF OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the fully

unitized substances are hereby delegated to and shall be exercised by the Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Operator, and together with this agreement shall constitute and define the rights, privileges and obligations of Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Operator, in its capacity as Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

X

PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the lands within the Participating Area are reasonably proved to be productive of fully unitized substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect the greatest recovery of fully unitized substances, prevent waste and conserve natural resources. The parties hereto agree that the Operator may, subject to the consent and approval of a plan of operation by the affirmative vote of eighty percent (80%), based upon participation, of the working interest owners, and by the Supervisor and the Commissioner, inject into the unitized formation, through any well or wells completed therein, brine, water, air, gas, oil or other liquid hydrocarbons, and any one or more other substances, whether produced from the Participating Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary recovery

operations, Operator shall furnish the Commissioner and the Supervisor periodical injection and production reports for each well in the Participating Area. The working interest owners, the Supervisor, and the Commissioner, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval by the affirmative vote of eighty percent (80%), based upon participation, of the working interest owners, of the Supervisor, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor and the Commissioner concurrently with the filing of this agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

XI

TRACT PARTICIPATION: The tract participations assigned to each tract within the Participating Area on Exhibit "B" hereto reflects the percentage of production of fully unitized substances from the Participating Area allocated to each committed tract within the Participating Area. Production of fully unitized substances throughout the Participating Area shall be allocated to the several tracts comprising the same in the proportions shown by such tract participations on Exhibit "B" or on any revision thereof should the Participating Area be revised as hereinabove provided.

For so long as this agreement remains in effect, then if anywhere within the Participating Area there is a well or

wells capable of producing fully unitized substances in paying quantities it will be considered that fully unitized substances are being produced in paying quantities from each tract within the Participating Area insofar as the leases, operating agreements, term royalties, or other like instruments affecting such tract are concerned, and, by the same token, whenever operations are being conducted upon any such tract it will, for the same purposes, be considered as if operations were being conducted upon each tract within the Participating Area.

XII

TRACTS QUALIFIED FOR UNIT PARTICIPATION: Each tract within the Participating Area has been committed to the Maljamar Cooperative Agreement, as amended, and this agreement shall be effective only when all parties to such Maljamar Cooperative Agreement, as amended, have executed this agreement or a ratification thereof such that the working interest in each such tract is fully committed hereto and all parties to such Maljamar Cooperative Agreement have consented hereto, and only then when this agreement has been approved by the Commissioner and Secretary or his delegate such that the interest of the United States of America and the State of New Mexico, respectively, as Lessors, has been effectively committed hereto as the owner of the basic royalty under any such tract, and shall be effective at 7:00 a.m. on the first day of the month next following the approval by both of such officials.

XIII

BURDENS OF UNSIGNED ROYALTY: If any owner of a royalty interest or an overriding royalty interest, production payment or other like interest affecting any tract within the Participating Area committed hereto by working interest owners fails to execute or ratify this agreement and commit his interest hereto, then the

working interest owner or owners committing such tract shall, to the extent that actual production is greater than allocated production as to such tract, alone bear the burdens thereof, and to the extent that allocated production is greater than actual production as to such tract, shall alone receive the benefit thereof.

XIV

ALLOCATION OF FULLY UNITIZED SUBSTANCES: All fully unitized substances produced and saved from the Participating Area (less, save and except any part of such fully unitized substances used in conformity with good operating practices on fully unitized land for drilling, operating, camp, and other production or development purposes, or otherwise used in operations hereunder pursuant to an approved plan of operation or unavoidably lost) shall be allocated to the various tracts within the Participating Area in accordance with respective tract participation effective hereunder during the respective periods such fully unitized substances were produced as hereinabove provided. The amount of fully unitized substances so allocated to each tract, and only that amount, shall be distributed among or accounted for to the parties executing, consenting to or ratifying this agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect.

The tracts shown on Exhibits "A" and "B" have been subdivided to the extent known to the parties to reflect a common ownership in any such tract throughout the area thereof, no part of any such tract being owned differently than any other part thereof. both as to the basic royalty, the working interest

and any overriding royalties, production payments, or other burdens based upon production affecting the same. If any error shall have been made in this determination, or if hereafter any assignment is made by any party hereto to an interest covering less than all of any such tract, then in the absence of a recordable instrument executed by the parties to such assignment fixing the division of ownership intended as between themselves, their respective ownership shall be determined upon a surface acre basis.

The fully unitized substances allocated to each tract shall be delivered in kind to the respective working interest owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each working interest owner and the parties entitled thereto by the lease terms or existing contracts shall have the continuing right to receive such production in kind at a common point within the Participating Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on Participating Area lands, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Any extra expenditure incurred by Operator by reason of the delivery in kind of any portion of the fully unitized substances shall be borne by the party receiving the same in kind; however, the federal and state government rights to take royalty in kind shall not be affected. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Participating Area currently as and when produced, then so long as such conditions continue, Operator, for the account and at the expense of such party and in order to avoid curtailing operations on the Participating Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at

not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the fully unitized substances so disposed of by Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the fully unitized substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Operator, shall be responsible for the payment of all royalty on the lease or leases and tracts contributed hereto by it, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such royalty or other such burdens on the lease or leases and tracts contributed by it. Each working interest owner shall be responsible for the payment of royalty and of any overriding royalty, production payment, or like burden upon production affecting the tract or tracts owned by it committed hereto.

XV

ROYALTY SETTLEMENT: Royalties due the United States and the State of New Mexico and to other lessors, and any overriding royalties, production payments or like burdens upon production, insofar as they become due on account of the production of fully unitized substances, shall be paid by the respective owners of leasehold interests committed hereto burdened therewith at the rates and in the manner specified in the respective leases, except that as specified in Section XIV (ALLOCATION OF FULLY UNITIZED SUBSTANCES) hereof, such payments shall be determined upon the basis of the production allocated to the respective tracts hereunder rather than upon actual production from any such tract, provided, that for leases on which the royalty rate depends on the daily average production per well, said

average production shall be determined in accordance with the operating regulations as though the participating area were a single consolidated lease; provided further that when such a lease lies in part within and in part outside the Participating Area the daily average production of the two parts shall be established independently. The daily average production on the part inside will be computed as set out above and the daily average production on the part outside shall be computed on the basis of the production and the number of wells on that part in accordance with the operating regulations.

XVI

ROYALTY ON OUTSIDE SUBSTANCES: If any substance procured in whole or in part from lands not within the Participating Area (other than gas being injected under the terms of the Maljamar Cooperative Agreement as amended, which agreement continues to govern the injection of gas into the fully unitized formations) is injected into the fully unitized formations for the purpose of increasing the ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor and the Commissioner, part or all of such injected substance less deductions for loss from any cause may be withdrawn, royalty free, pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner. Operator shall cooperate with the Operator's Committee in injecting any gas into the Participating Area. Any gas produced from the fully unitized formation and not re-injected but disposed of shall be a fully unitized substance allocable and distributable as any other fully unitized substance as provided herein.

XVII

TITLE FAILURE: No person executing, ratifying or consenting to this instrument shall have any right to receive any

part of the fully unitized substances, or the proceeds thereof, produced from the Participating Area in the event his title is lost or fails, and should any question arise with respect to the title of any such party then amounts otherwise accruing to such party may be suspended until the title dispute is finally determined.

XVIII

MATHEMATICAL ERRORS: It is hereby agreed by all parties to this agreement that Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement upon approval of the Commissioner and the Supervisor.

XIX

COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any interest in lands or leases subject hereto shall be subject hereto and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working interest subject hereto shall be binding upon Operator until the first day of the calendar month after Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any royalty interest subject hereto shall be binding upon the working interest owner responsible therefor until the first day of the calendar month after said working interest owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

XX

NONDISCRIMINATION: In connection with the performance of work under this agreement, the Operator agrees to comply with all of the provisions of Section 301(1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

XXI

EFFECTIVE DATE AND TERM: This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as hereinabove provided in Section XII (TRACTS QUALIFIED FOR UNIT PARTICIPATION).

The term of this agreement shall be for and during the time that fully unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land or operations (whether drilling, reworking, testing, or the like) are being conducted in the unitized formation on the Participating Area or any enlargement thereof, all without any single cessation of more than ninety (90) consecutive days, unless sooner terminated by working interest owners in the manner hereinafter provided. No termination of this Supplement No. 5 agreement shall serve to terminate the aforesaid Supplement No. 4 agreement.

This agreement may be terminated with the approval of the Commissioner and the Director by working interest owners owning ninety percent (90%) participation hereunder whenever such working interest owners determine that operations hereunder are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Operator to all parties hereto.

Upon termination of this agreement, however effected,

the further development and operation of the Participating Area hereunder shall be abandoned and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts, including and as modified by said Supplement No. 4 agreement if it continues in effect, except in this, that Operator for the account of working interest owners shall have a period of six (6) months after any such termination within which to conduct salvage operations on any tract within the Participating Area.

XXII

SUBSEQUENT JOINDER: Subsequent joinder of a working interest shall be effected by the working interest owner or owners owning any tract to be committed hereto subsequent to the effective date hereof as in Section I hereof provided, except that the one-year period prescribed in Section XXIII (STATUS OF PARTIES AND SUBSEQUENT JOINDER) of the Supplement No. 4 agreement shall not extend beyond the effective date hereof, and such one-year period is for every purpose shortened to the extent that it shall not extend beyond such effective date, and no such subsequent joinder shall be effective except with the consent of the working interest owners within the Participating Area who have entered into the Grayburg-San Andres Operating Agreement and upon the joining working interest owners' execution of a counterpart thereof.

After the effective date hereof the owner of a royalty, overriding royalty, production payment or like interest in any tract within the Participating Area may commit his or its interest hereto with written consent by the working interest owner responsible therefor by executing a counterpart hereof or by executing an instrument of ratification and consent hereto. The effective date thereof shall be 7:00 a.m. on the first day of the month

next following the filing with Operator of the instrument or instruments evidencing such joinder.

XXIII

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

The joinder herein by any party shall be effective to commit all of such party's interests within the Cooperative Area to this agreement, and, as to a working interest owner not yet committed thereto, to the Supplement No. 4 agreement.

XXIV

BORDER AGREEMENTS: Subject to the approval of the Supervisor and the Commissioner, the unit operator, with concurrence of ninety percent (90%) of the working interest owners may enter into a border-protection agreement or agreements with the working interest owners of adjacent lands along the exterior boundary of the unit area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

WITNESS the execution hereof, as of the date first hereinabove set forth, the date of execution by each being set opposite its name.

ATTEST:

Assistant Secretary

Date: _____

CONTINENTAL OIL COMPANY

By _____
Attorney in Fact

Operator and Working Interest
Owner

EXHIBIT "B"

MALJAMAR COOPERATIVE AGREEMENT

TOWNSHIP 17 SOUTH, RANGE 32 EAST and RANGE 33 EAST
LEA COUNTY, NEW MEXICO

SCHEDULE SHOWING OWNERSHIP OF OIL AND GAS INTERESTS
IN THE FULLY UNITIZED FORMATIONS WITHIN THE PARTICIPATING AREA

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	TRACT	
							OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICI- PATION
FEDERAL LAND								
1	NW/4 SW/4 Sec.23 T17S, R32E	40	LC-029400(a) 8-1-59	USA 12.5% step scale	Continental Oil Company	Continental Oil Company - 100%	Buffalo Petr. Corp. 10.937500% Janet M. Jacobsen 0.714286% Malcolm T. Mitchell 0.714286% Margaret M. Ogden 0.714286% Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Virginia Simon 0.535714% Lucretia E. Conlon 0.500000% L. Jay Root 0.500000% El Paso National Bank, Trustee of Baish Trust Estate 2.750000%	0.350000%

EXHIBIT "B" (continued)

DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICI- PATION
N/2 Sec. 19 and N/2 Sec. 20, T17S, R32E	641.96	LC-029405(a) 7-1-38	USA 5%	Continental Oil Company	Continental Oil Company - 100%	Virginia Simon 0.535714% Malcolm T. Mitchell 0.714286% Janet M. Jacobsen 0.714286% Margaret M. Ogden 0.714286% El Paso National Bank, Trustee of Baish Trust Estate 3.750000% Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Buffalo Production Payments (1)	8.474890%
S/2 SW/4, NW/4 NE/4, SE/4 NW/4 Sec. 17, S/2 Sec. 19, and S/2 Sec. 20, T17S, R32E	800	LC-029405(b) 7-1-48	USA 12.5% sliding scale	Continental Oil Company	Continental Oil Company - 100%	Buffalo Production Payments (1)	11.855021%
W/2, SE/4, and E/2 NE/4, Sec. 29, T17S, R32E	560	LC-029410(a) 7-1-39	USA 5%	Carper Drlg. Co., Inc.	Carper Drlg.Co., Inc. - 100%	Virginia Simon 0.535714% Malcolm T. Mitchell 0.714286% Janet M. Jacobsen 0.714286% Margaret M. Ogden 0.714286%	8.590039%

EXHIBIT "B" (continued)

SECTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	TRACT	
						OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICI- PATION
W/4, /4, Sec. 7S, R32E	563.88	LC-029410(b) 7-1-39	USA 12.5% sliding scale	Carper Drlg. Co., Inc.	Carper Drlg.Co. Inc. - 100%	El Paso National Bank, Trustees of Baish Trust Estate 3.750000%	
						Elizabeth B. King 0.535714%	
						Henry W. Beardsley 0.535714%	
						NONE	7.293779%
W/4, 11, T17S,	40.00	LC-029410(b) 7-1-39	USA 12.5%	Carper Drlg. Co., Inc.	Carper Drlg.Co. Inc. - 100%	NONE	0.066182%
E/4, /4 Sec. 21, /4 Sec. 22, R32E	640	LC-029509(a) 8-3-29	USA 5%	Continental Oil Company	Continental Oil Company - 100%	Virginia Simon 0.535714%	11.195594%
						First National Bank of Lake George, New York for deposit to the account of	
						Malcolm T. Mitchell 0.714286%	
						Janet M. Jacobsen 0.714286%	
						Margaret M. Ogden 0.714286%	
						El Paso National Bank, Trustee of Baish Trust Estate 3.750000%	

EXHIBIT "B" (continued)

DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICIPATION
SW/2 SE/4 Sec. 21, SW/4, SE/4 NW/4, S/2 NE/4, NW/4 SE/4 Sec. 22, T17S, R32E	400	LC-029509(b) 4-1-46	USA 12.5% step scale	Continental Oil Company	Continental Oil Company - 100%	Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Buffalo Production Payments (1) Buffalo Production Payments (1)	4.680417%
NE/2 NE/4 Sec. 26, T17S, R32E	80	LC-030437(a) 12-12-39	USA 5%	Drilling & Exploration Co., Inc.	Drilling & Exploration Co., Inc. - 100%	Ruth D. Lisle 2.343750% Martha Johns Densmore 0.703130% Nancy J. Kent 0.703130% J. B. Bockman 3.750000% S. J. Iverson 6.250000%	0.700000%
SW/4 SW/4 Sec. 15, T17S, R32E	40	LC-054687 10-15-37	USA 12.5% step scale	W. A. Hudson and E. A. Hudson - 2/3 S. J. Iverson - 1/3	Continental Oil Company - 100%	Buffalo Production Payments (1)	0.250629%
SW/2, SE/4, SW/4 NE/4, NE/4 NE/4 Sec. 27, All Sec. 28, T17S, R32E	1200	LC-057210 9-1-43	USA 12.5% step scale	Continental Oil Company	Continental Oil Company - 100%	Kewanee Production Payments (2)	19.847123%

EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF		WORKING INT. OWNER		OVERRIDING ROYALTY		TRACT PARTICI- PATION
					RECORD	& PERCENTAGE	OWNER	& PERCENTAGE	OWNER	& PERCENTAGE	
12	E/2 SE/4, SW/4 SE/4 Sec. 22, T17S, R32E	120	LC-058395 (b) 5-15-34	USA 12.5% sliding scale	Fair N&N Trust - 75% Fair Oil Co. - 25%	Fair N&N Trust - 75% Fair Oil Co. - 25%	Fair N&N Trust The R.W. Fair Foundation	1.412293%			
							42.000000%* 14.000000%**				
14	W/2 NE/4 Sec. 26, T17S, R32E	80	LC-058408 (a) 12-12-39	USA 5%	Fair Oil Co. - 66.67% R. W. Fair - 33.33%	Fair Oil Co. - 66.67% R. W. Fair - 33.33%	The R.W. Fair Foundation R. W. Fair J. B. Bockman Ruth D. Lisle Martha Densmore W.A. & E.R. Hudson joint operating acct. Nancy J. Kent First Hutchings-Sealy National Bank, Trustee for Francis B. Moore First Hutchings-Sealy National Bank, Gdn. of the estate of John Knox Hutchings Moore and Donald Bartlett Moore, minors	0.717445%			
							25.000000%** 12.500000%*** 3.750000% 2.343750% 0.703120% 0.337500%				
							0.143440%				

EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICIPATION
15x	NW/4 SE/4 Sec. 26, T17S, R32E	40	LC-058408 (b) 12-12-39	USA 12.5% sliding scale	Fair Oil Co.- 66.67% R. W. Fair - 33.33%	Fair Oil Co.- 66.67% R. W. Fair - 33.33%	Carol Pauls Moore 0.070310% Charles H. Moore 0.213750% B. D. Moore, Jr. 0.213750% Frances Moore Shelton 0.213750% David W. Moore 0.213750%	0.278891%
17x	NW/4 NE/4 Sec. 34, T17S, R32E	40	LC-058514 9-22-39	USA 12.5% sliding scale	Continental Oil Company	Continental Oil Company - 100%	W.A. & E.R. Hudson joint operating acct. 9.375000% The R.W. Fair Foundation 25.000000%** R. W. Fair 12.500000C%*** Production Payment to Buffalo Petr. Corp. of \$50,000 out of 5.468750%**** Kewanee Production Payments (2)	0.172795%
18	S/2 SE/4 Sec. 23, T17S, R32E	80	LC-058697 (a) 8-11-39	USA 5%	Continental Oil Company	Continental Oil Company - 100%	Buffalo Petr. Corp. 10.937500% Virginia Simon 0.535714% El Paso National Bank, Trustee for Baish Trust Estate 2.750000%	0.572727%

EXHIBIT "B" (continued)

DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	TRACT	
						OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICIPATION
N/2, N/2 S/2, SE/4 SE/4 Sec. 25, T17S, R32E, NW/4, N/2 SW/4 Sec. 30, T17S, R33E	766.39	LC-058697(b) 8-11-39	USA 12.5% sliding scale	Continental Oil Company	Continental Oil Company - 100%	Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Malcolm T. Mitchell 0.714286% Janet M. Jacobsen 0.714286% Margaret M. Ogden 0.714286% L. Jay Root 0.500000% Lucretia E. Conlon 0.500000% Kewanee Production Payments (2)	5.874647%
N/2 SE/4, NE/4 SW/4, S/2 SW/4 Sec. 23 and S/2 NW/4 Sec. 26, T17S, R32E	280	LC-058698(a) 8-11-39	USA 5%	Continental Oil Company	Continental Oil Company - 100%	Buffalo Petr. Corp. 10.937500% Virginia Simon 0.535714% El Paso National Bank, Trustee for Baish Trust Estate 2.750000% Elizabeth B. King 0.535714%	2.204034%

EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	TRACT	
							OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICI- PATION
							Henry W. Beardsley 0.535714%	
							Malcolm T. Mitchell 0.714286%	
							Janet M. Jacobsen 0.714286%	
							Margaret M. Ogden 0.714286%	
							L. Jay Root 0.500000%	
							Lucretia E. Conlon 0.500000%	
							Kewanee Production Payments (2)	
21x	NW/4 and S/2 NE/4 Sec. 23, T17S, R32E	240	LC-058698(b) 8-11-39	USA 12.5% sliding scale	Continental Oil Company	Continental Oil Company - 100%	Buffalo Petr. Corp. 5.468750%	1.371455%
							Kewanee Production Payments (2)	
22	SW/4 Sec. 26, T17S, R32E	120	LC-058699(a) 8-11-39	USA 5%	Ross Sears	Virginia Sears and Mary Jo Vandiver, Co- executrices of the estate of Ross Sears, dec'd. 16.667000% J. P. Pierce 16.667000% Zula Cockburn 50.000000% Jewell Smith 12.499000% Leon C. Smith 4.167000%	Buffalo Petr. Corp. 10.937500% El Paso National Bank, Trustee for Baish Trust Estate 2.750000% Malcolm T. Mitchell 0.714270% Margaret Mitchell Ogden 0.714270% Janet M. Jacobsen 0.714270% Virginia Simon 0.535700%	2.400000%

EXHIBIT "B" (continued)

NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	TRACT	
					OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICI- PATION
					Elizabeth B. King 0.535700%	
					Henry W. Beardsley 0.535700%	
					L. Jay Root 0.500000%	
					Lucretia E. Conlon 0.500000%	
40	LC-058728 (b) 9-22-39	USA 12.5% sliding scale	Continental Oil Company	Continental Oil Company - 100%	Kewanee Production Payments (2)	0.248794%
320	LC-059001 (a) 9-22-39	USA 5%	Continental Oil Company	Continental Oil Company - 100%	Virginia Simon 0.535714% El Paso National Bank, Trustee for Baish Trust Estate 3.750000% Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Malcolm T. Mitchell 0.714286% Janet M. Jacobsen 0.714286% Margaret M. Ogden 0.714286% Kewanee Production Payments (2)	2.478006%
80	LC-059002 9-22-39	USA 12.5%	Continental Oil Company	Continental Oil Company - 100%	Kewanee Production Payments (2)	0.624604%

EXHIBIT "B" (continued)

NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICI- PATION
sliding scale						
80	LC-060199(a) 7-1-39	USA 5%	Virginia Woods Shaw	Virginia Woods Shaw 25% Charlotte Woods Runyan 25% Emily Katherine Flint Boyd and Rosemary Flint 25% Mary Katherine Fowles 25%	Virginia Simon 0.535714% Malcolm T. Mitchell 0.714286% Janet M. Jacobsen 0.714286% Margaret M. Ogden 0.714286% El Paso National Bank, Trustee for Baish Trust Estate 3.750000% Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Oil Payment in the amount of \$126,636 payable out of 20% of 7/8 reserved by Mrs. E. G. Woods	1.459726%
80	LC-060199(b) 7-1-39	USA 12.5% sliding scale	Virginia Woods Shaw	Virginia Woods Shaw 25% Charlotte Woods Runyan 25% Emily Katherine Flint Boyd and Rosemary Flint 25% Mary Katherine Fowles 25%	Oil Payment in the amount of \$126,636 payable out of 20% of 7/8 reserved by Mrs. E. G. Woods	1.340274%

EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER & PERCENTAGE	TRACT PARTICI-	
							OWNER & PERCENTAGE	PATION
29x	Lot 4 Sec. 18, and E/2 E/2 Sec. 17, T17S, R32E	200.97	LC-060329 12-1-58	USA 12.5% sliding scale	Continental Oil Company	Continental Oil Company - 100%	Buffalo Petr. Corp. 7.000000% Kewanee Production Payments (2)	1.352261%
32	N/2 NW/4 Sec. 26, T17S, R32E	80	LC-061841 8-11-39	USA 5%	Continental Oil Company	Continental Oil Company - 100%	Virginia Simon 0.535714% El Paso National Bank, Trustee for Baish Trust Estate 2.750000% Elizabeth B. King 0.535714% Henry W. Beardsley 0.535714% Malcolm T. Mitchell 0.714286% Janet M. Jacobsen 0.714286% Margaret M. Ogden 0.714286% Lucretia E. Conlon 0.500000% L. Jay Root 0.500000% Kewanee Production Payments (2)	0.664147%
34	NW/4 NE/4, SE/4 NE/4 Sec. 27, T17S, R32E	80	LC-058396 (b) 5-15-34	USA 12.5% sliding scale	Fair N&N Trust - 75% Fair Oil Co. - 25%	Fair N&N Trust 75% Fair Oil Co. 25%	Fair N&N Trust 42.000000%* The R.W. Fair Foundation 14.000000%**	0.991371%

EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	BASIC ROYALTY RECORD	LESSEE OF WORKING INT. OWNER & PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	PARTICIPATION
26 FEDERAL TRACTS, CONTAINING 7,573-20 7,775.16 ACRES, or 96.435%-OF PARTICIPATING AREA 26.524%							
<u>STATE LAND</u>							
39x-1	N/2 NW/4 Sec. 16, T17S, R32E	80	B-155 8-14-31	State of Continental New Mex. Oil Company 12.5%	Continental Oil Company - 100%	Texaco Inc. 6.250000% Kewanee Production Payments (2)	0.466529%
39x-2	SW/4 NW/4, S/2 SW/4 Sec. 16, T17S, R32E	120	B-155 8-14-31	State of Continental New Mex. Oil Company 12.5%	Continental Oil Company - 100%	Texaco Inc. 6.250000%***** Kewanee Production Payments (2)	1.022878%
41x	SW/4 SE/4 Sec. 16, T17S, R32E	40	B-2366-9 1-8-34	State of Continental New Mex. Oil Company 12.5%	Continental Oil Company - 100%	Buffalo Production Payments (1)	0.412930%
42	SE/4 SE/4 Sec. 16, T17S, R-32E	40	B-4062 4-3-35	State of Continental New Mex. Oil Company 12.5%	Continental Oil Company - 100%	Buffalo Production Payments (1)	0.530519%
H 3- STATE TRACTS, CONTAINING 280 ACRES, OR 3-565% OF PARTICIPATING AREA 3.476%							

(1) The interests so marked are those production payments reserved in that certain Assignment and Conveyance of Oil and Gas Properties and Agreement with Respect Thereto between Buffalo Oil Company, as Assignor, and Continental Oil Company, as Assignee, dated August 12, 1958, and recorded in the records of Lea County, New Mexico, Miscellaneous Book 138, Page 1, and all of such interests are being committed hereto by the party or parties owning the same or their mortgagees, trustees or others having the power to commit same.

(2) The interest so marked are those production payments reserved in that certain Assignment and Conveyance of Oil and Gas Properties and Agreement with Respect Thereto between Kewanee Oil Company, as Assignor, and Continental Oil Company, as Assignee, dated December 14, 1959, and recorded in Miscellaneous Book 181, Page 375, in the records of Lea County, New Mexico, and all of such interests are being committed hereto by the party or parties owning the same or their mortgagees, trustees or others having the power to commit same.

- * - to be charged against working interest of Fair N&N Trust only.
- ** - to be charged against working interest of Fair Oil Company only.
- *** - to be charged against working interest of R. W. Fair only.
- **** - variable, dependent upon royalty rate.
- ***** - subject to increase, as to oil, to 9.375% in accordance with terms of instrument dated November 13, 1940, recorded in Book 23, Page 253, in the records of Lea County, New Mexico.

ATTEST:

Date: _____

Date: _____

ATTEST:

Date: _____

ATTEST:

Date: _____

Date: _____

Date: _____

CARPER DRILLING COMPANY, INC.

By _____
Its _____

Working Interest Owner

ZULA COCKBURN
Working Interest Owner

DRILLING AND EXPLORATION COMPANY,
INC.

By _____
Its _____

Working Interest Owner

FAIR N & N TRUST

By _____
Trustee

Working Interest Owner

FAIR OIL COMPANY

By _____
Its _____

Working Interest Owner

R. W. FAIR
Working Interest Owner

J. P. PIERCE
Working Interest Owner

Date: _____

VIRGINIA SEARS and MARY JO
VANDIVER

Individually and as Co-Execu-
trixes of the Estate of Ross
Sears, Deceased, & Mary Jo Van-
diver as Trustee under the Will
of Ross Sears, Deceased

Working Interest Owners

MARY KATHERINE FOWLES
CHARLOTTE WOODS RUNYAN
EMILY KATHERINE FLINT BOYD
ROSEMARY FLINT
VIRGINIA WOODS SHAW

Date: _____

By _____
JACK B. SHAW, their
Attorney-in-Fact

Working Interest Owners

Date: _____

JEWELL SMITH

Working Interest Owner

Date: _____

LEON C. SMITH

Working Interest Owner

ATTEST:

Date: _____

KEWANEE OIL COMPANY

By _____
Its _____

Working Interest Owner in formations other than the fully unitized formations committed to the Supplement No. 4 Agreement, hereby consenting to this Amendment and Supplement thereto

ATTEST:

Date: _____

PAN AMERICAN PETROLEUM CORPORATION

By _____
Its _____

Working Interest Owner in formations other than the fully unitized formations committed to the Supplement No. 4 Agreement, hereby consenting to this Amendment and Supplement thereto

STATE OF TEXAS X
COUNTY OF TARRANT X

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____, Attorney in Fact for CONTINENTAL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:
6-1-63

Notary Public, Tarrant County,
Texas

STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____ of CARPER DRILLING COMPANY, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by ZULA COCKBURN.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____, of DRILLING AND EXPLORATION COMPANY, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____, Trustee of FAIR N & N TRUST.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1962, by _____, of FAIR OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by R. W. FAIR

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by J. P. PIERCE

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by VIRGINIA SEARS and MARY JO
VANDIVER, individually, and in the capacities therein stated.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by JACK B. SHAW, as Attorney-
in-Fact on behalf of MARY KATHERINE FOWLES, CHARLOTTE WOODS RUNYAN,
EMILY KATHERINE FLINT BOYD, ROSEMARY FLINT, and VIRGINIA WOODS SHAW.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by JEWELL SMITH.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by LEON C. SMITH.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by _____,
_____ of KEWANEE OIL COMPANY, a _____
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by _____,
_____ of PAN AMERICAN PETROLEUM CORPORATION,
a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by _____,
_____ of _____,
a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by _____.

My Commission Expires:

Notary Public, _____
County, _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 1962, by _____.

My Commission Expires:

Notary Public, _____
County, _____