

FEDERAL/FEE
EXPLORATORY UNIT

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

Longbow Unit Area

LEA County, New Mexico

NO. _____

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 5

CASE NO. 11911

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

Longbow Unit Area

County of Lea

State of New Mexico

NO. _____

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

LONGBOW UNIT AREA

COUNTY OF LEA

STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 5th day of January 1998, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Statute 437, as amended 30 U.S.C. Section 181 et. seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a unit plan of development or operations of any oil and gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division", is authorized by an act of the Legislature (Chapter 70 and 71, NM Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Longbow Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal Lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

Township 21 South. Range 32 East, N.M.P.M., Lea County, New Mexico
Sec. 25: S/2
Sec. 35: SE/4
Sec. 36: All

Containing 1,120.0 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" and "B" 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 the Exhibits as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized officer, hereinafter referred to as "AO", and not less than four (4) copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office, and one (1) copy thereof shall be filed with the New Mexico Oil Conservation Division of the Energy and Minerals Department, hereinafter referred to as "Division".

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, shall prepare a Notice of Proposed Expansion or Contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper Bureau of Land Management office and the Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interest are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO and the Division, evidence of mailing of the Notice of Expansion or Contraction and a copy of any objections thereto which have been filed with Unit Operator together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO and the Division, become effective as of the date prescribed in the notice thereof or such other appropriate date.

(e) Notwithstanding any prior elimination under the "Drilling to Discovery" section, all legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than ninety (90) days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within ten (10) years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within ninety (90) days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said first 5-year period. However, when such diligent drilling operations cease, all non-participating lands not then entitled to be in a participating area shall be automatically eliminated effective as of the 91st day thereafter.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this Subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed two (2) years may be accomplished by consent of the owners of 90% of the working interests in the current non-participating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in non-participating unitized lands with approval of the AO provided such extension application is submitted not later than sixty (60) days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. Pogo Producing Company is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO and the Division, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal lands and the Division as to fee lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than thirty (30) days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO.

The resignation or removal of Unit 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 Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the newly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected, elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator as negotiated by the working interest owners, the owners of the working interests according to their respective acreage interest in all unitized land shall, pursuant to the approval of the parties requirements of the unit operating agreement, select a successor Unit Operator. Such selection shall not become effective until:

- (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and
- (b) the selection shall have been approved by the AO.

If no successor Unit Operator is selected and qualified as herein provided, the AO, at his election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office, and one true copy with the Division prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT 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 unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit 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 Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO, if on Federal land, or by the Division, if on Fee land, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the Delaware formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO if on Federal land, or the Division if located on Fee land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 9100 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than six (6) months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO if it be on Federal land or of the Division if on Fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

The AO may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to commence any well as provided for in this section within the time allowed, prior to the establishment of a participating area, including any extension of time granted by the AO, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO may, after fifteen (15) days notice to the Unit Operator, declare this unit agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first six (6) months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section.

Until the establishment of a participating area, the failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO may, after 15 days notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid ab initio by the AO. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid ab initio by the AO.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO and the Division, an acceptable plan of development and operation for the unitized land which, when approved by the AO and Division, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO and the Division a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for determination of the area or areas capable of producing unitized substances in paying quantities in each and every productive formation. This plan shall be as complete and adequate as the AO and the Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO is authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development and on operation where such action is justified because of unusual conditions or circumstances.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO and the Division, shall be drilled except in accordance with an approved plan of development and operation.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO or the Division, the Unit Operator shall submit for approval by the AO and the Division, a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO and the Division, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12 to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO and the Division. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO and the Division. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO and the Division to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as reasonably proved not to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the AO and the Division. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participation area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating areas is based are abandoned.

It is the intent of this section that a participating area shall represent the area productive of unitized substances known or reasonably proved to be productive in paying quantities or which are necessary for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the AO and the Division, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established, the portion of all payments affected thereby shall, except royalty due the United States, be impounded in a manner mutually acceptable to the owners of committed working interests and the AO. Royalties due to the United States shall be determined by the AO for Federal lands and the amount thereof shall be deposited, as directed by the AO until a participating area is finally approved and then adjusted in accordance with a determination of the sum due as Federal royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the AO and the Division, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in a participating area of the land of which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located, unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from a participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal land, if any, included in the participating area established for such production. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land and unleased Federal land, if any, included in said participating area. There shall be allocated to the working interest owner(s) of each tract of unitized land in said participating area, in addition, such percentage of the production attributable to the unleased Federal land within the participating area as the number of acres of such unitized tract included in said participating area bears to the total acres of unitized land in said participating area, for the payment of the compensatory royalty specified in section 17 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under section 17, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the AO and the Division at such party's sole risk, costs, and expense, drill a well to test any formation provided the well is outside any participating area established for that formation, unless within ninety (90) days of receipt of notice from said party of his intention to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this section by a working interest owner results in production of unitized substances in paying quantities such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled under this section by a working interest owner that obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same, subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefore under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing in this section shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery in conformity with a plan of development and operation approved by the AO and the Division, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO and the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 12 at the rates specified in the respective Federal lease, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; 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 each participating area were a single consolidated lease.

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

With respect to any lease on non-federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a participating area.

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

17. DRAINAGE.

(a) The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances for unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO, as to Federal leases.

(b) Whenever a participating area approved under section 11 of this agreement contains unleased Federal lands, the value of 12 1/2 percent of the production that would be allocated to such Federal lands under section 12 of this agreement, if such lands were leased, committed, and entitled to participation, shall be payable as compensatory royalties to the Federal Government. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal lands to their unitized tracts under section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR part 206. Payment of compensatory royalties on the production reallocated from unleased Federal land to the committed tracts within the participating area shall fulfill the Federal royalty obligation for such production, and said production shall be subject to no further royalty assessment under section 14 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under the provision shall end when the unleased Federal tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

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

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act, as amended.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 1, 1960, (74 Stat. 781-784) (30 U.S.C. 226 (j)): "Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however that any such lease as to non-unitized portion shall continue in force and effect for the term thereof, but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the AO or his duly authorized representative and shall automatically terminate five (5) years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO; or

(b) it is reasonably determined prior to the expiration of the fixed terms or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder, and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this agreement is terminated with approval of the AO; or

(c) a valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal lands in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling operations to restore production or new production are not in progress or reworking within sixty (60) days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred; or

(d) it is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with Section 9.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The AO is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law, or do not conform to any State-wide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

Powers in the section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. APPEARANCES. Unit Operators shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interest affected hereby before the Department of the Interior and the Division, and to appeal from orders issued under the regulations of said Department or the Division or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department or the Division or any other legally constituted authority, provided, however, that any other interested party shall also have the right at its own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last known address of the party or parties.

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

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal lands or leases, no payments of funds due the United States should be withheld, but such funds shall be deposited as directed by the AO, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, the Division and the Unit Operator prior to the approval of this agreement by the AO. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest only subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO and the Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

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

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as a result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

- (a) accept those working interest rights subject to this agreement and the unit operating agreement; or

(b) lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or

(c) provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrender or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any monies found to be owing by such an accounting shall be made as between the parties within thirty (30) days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interest in said tract, and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal lease stipulations relating to surface management or such special Federal lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

POGO PRODUCING COMPANY

Date of Execution: January 12, 1998

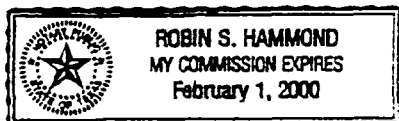
By:

Jerry A. Cooper
Jerry A. Cooper, Vice-President jgk
TG

STATE OF TEXAS §

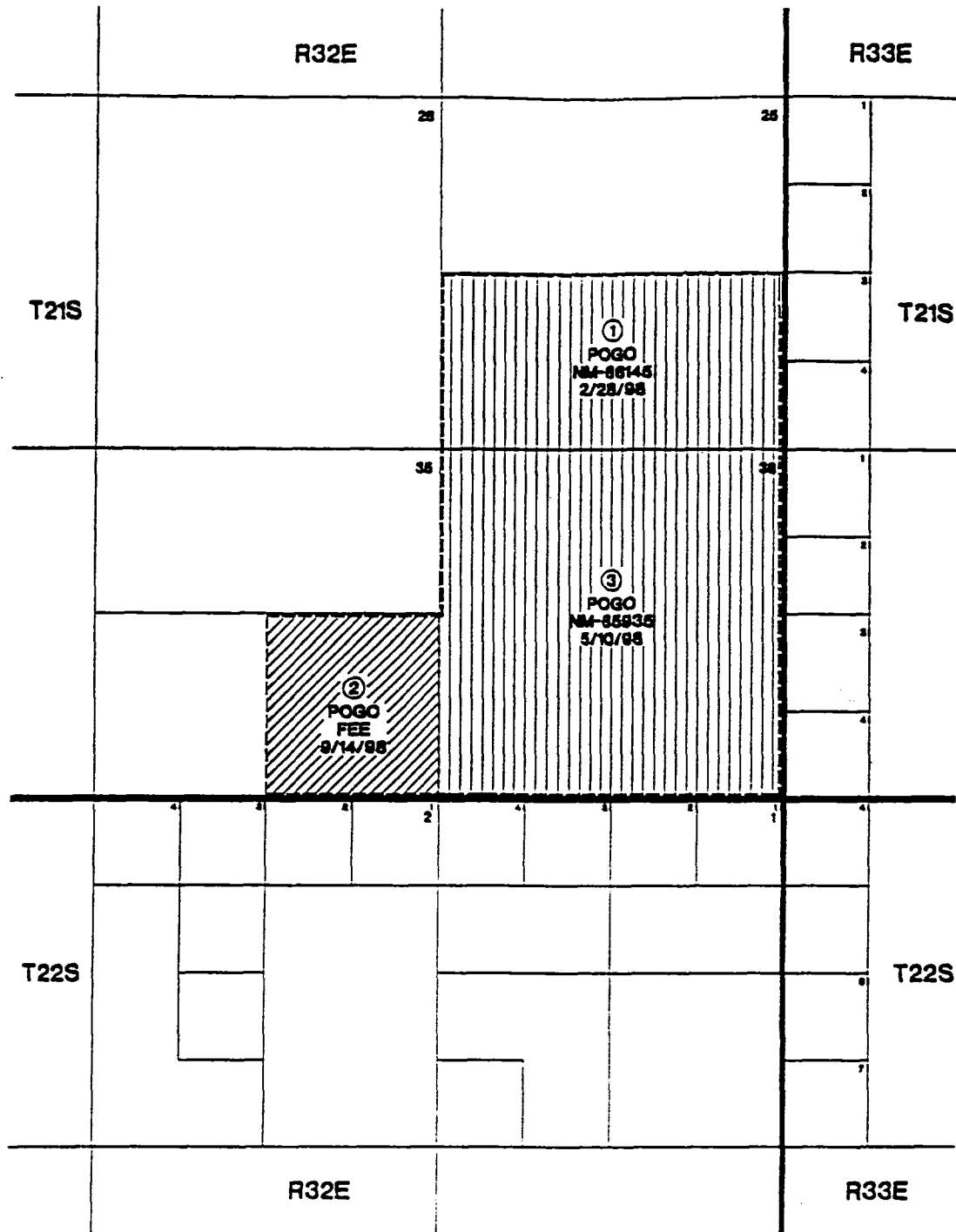
COUNTY OF MIDLAND §

This instrument was acknowledged before me this 12th day of January, 1998, by Jerry A. Cooper, Vice President of Pogo Producing Company, a Delaware corporation, on behalf of said corporation.



[Signature]
Notary Public

EXHIBIT "A"
 MAP OF UNIT AREA
 LONGBOW UNIT
 LEA COUNTY, NEW MEXICO






 POGO PRODUCING COMPANY			
Longbow Unit Lea County, New Mexico			
UNIT OUTLINE	-----		
TRACT NUMBER	○		
FEDERAL LANDS		980.00 ac (85.7143%)	
FEE LANDS		180.00 ac (14.2857%)	
TOTAL UNIT ACRES		1120.00 ac (100%)	

Exhibit "B"
Schedule of Ownership
Longbow Unit
T-21-S, R-32-E
Lee County, New Mexico

Tract	Description of Land, No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty		Lessee of Record	Overriding Royalty		Working Interest	
			Ownership	Percentage		Ownership	Percentage	Ownership	Percentage
1	Section 25- SE/4	NM NM 85145 2/28/1998	United States of America	12.50%	Pogo Producing Company	Curtis A. Anderson, et al Pogo Producing Company, et al Collins & Wiese, Inc. Folston Oil Company Erma Lowe Trust Ico Clayton Lowe Trust Erma Lowe Trust Ico Erma Lowe Trust Ico Carlton L.R. Trust Samantha Adelaide Yost John S. Yost, et al Michael A. Ydenburg, et al	0.907500% 1.012500% 1.417500% 2.231250% 0.743750% 0.743750% 0.743750% 0.482500% 0.223125%	Pogo Producing Company Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	59.71% 28.20% 4.03% 4.03%
2	Section 35- SE/4, from the surface to the base of the Bone Spring formation	Fee Lands 9/14/1998	Lillian Arris Graham Jennie Ludek Kischling Gloria Violet Chandler	6.25% 6.25% 6.25%	Pogo Producing Company	Louis Dreyfus Natural Gas Corp.	6.250000%	Pogo Producing Company	100.00%
	Section 35- SE/4, below the base of the Bone Spring formation	Fee Lands 9/14/1998	Lillian Arris Graham Jennie Ludek Kischling Gloria Violet Chandler	6.25% 6.25% 6.25%	Louis Dreyfus Natural Gas Corp.			Uncommitted	
3	Section 36- All	NM NM 85935 6/10/1998	United States of America	12.50%	Pogo Producing Company	Michell Energy Corporation	6.250000%	Pogo Producing Company Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	59.71% 28.20% 4.03% 4.03%
	TOTAL								

Reconciliation

960 Acres of Federal Lands - 85.7143%
- 169 Acres of Fee Lands - 11.2857%
1,120 Acres - 100.0000%

A.A.P.L. FORM 610-1982
MODEL FORM OPERATING AGREEMENT

Use of this identification mark is prohibited
except when authorized in writing by the
American Association of Petroleum Landmen

OPERATING AGREEMENT

DATED

January 5, 19 98,

OPERATOR POGO PRODUCING COMPANY

CONTRACT AREA S/2 of Section 25, SE/4 of Section 35 and All of

Section 36, T-21-S, R-32-E, N.M.P.M.

COUNTY ~~DE WARRICK~~ OF LEA STATE OF NEW MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS 76137, APPROVED FORM.
A.A.P.L. NO. 610 - 1982 REVISED

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 6

CASE NO. 11911

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Pogo Producing Company, 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 established 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.

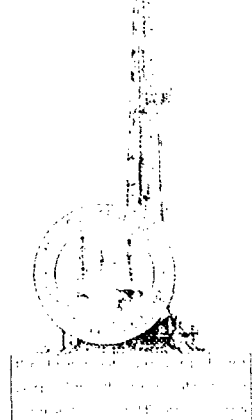
Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

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 to the extent of 25% 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:

Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.

D. Subsequently Created Interests:

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 preliminary, supplemental, 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 not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

ARTICLE IV
continued

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

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

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 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 participate in the drilling of the well.

B. Loss of Title:

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 reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition 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 and gas leases and interests: and,

(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 entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has 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 occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;

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

(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 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 who bore the costs which are so refunded;

(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 borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest 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 connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, 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 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 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 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 the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it 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 or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

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

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

(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 lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

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 and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Pogo Producing Company 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.

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.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 15th day of February, 1998, Operator shall commence the drilling of a well for oil and gas at the following location:

1980' FNL & 1980' FWL of Section 36, T-21-S, R-32-E, N.M.P.M., Lea County
New Mexico

and shall thereafter continue the drilling of the well with due diligence to a depth of 9,100' or to a depth sufficient to test the Upper Bone Spring formation, whichever is the lesser depth,

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 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

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

B. Subsequent Operations:

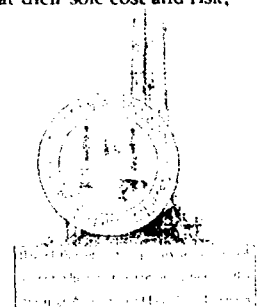
1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice 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 drilling 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 limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a 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 proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of 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 on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, 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 permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

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 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 giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of 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 on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and 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 such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. 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 sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer 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,



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, 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 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

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

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

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. 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 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 production, ceases to produce in paying quantities.

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

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

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

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

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and 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 incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand-by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party'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 instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

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

ARTICLE VI
continued

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

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

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

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

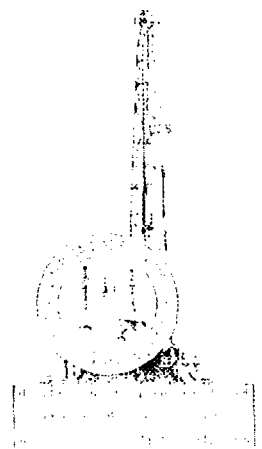
D. Access to Contract Area and Information:

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

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been 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 without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within 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, 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 parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and 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 interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and 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 intervals 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 produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit



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.

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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.

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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.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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.

B. Liens and Payment Defaults:

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.

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.

C. Payments and Accounting:

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.

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.

D. Limitation of Expenditures:

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:

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 Twenty-five Thousand and no/100----Dollars (\$ 25,000.00) 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 Fifteen Thousand and No/100----- Dollars (\$ 15,000.00) 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

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall 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 hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

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

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

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

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering 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 lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

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

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and 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 renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

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 who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

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

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease 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 contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted 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 the provisions of this agreement.

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

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be 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 contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

ARTICLE VIII

continued

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

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

D. Maintenance of Uniform Interest:

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

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

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

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 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for 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 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

E. Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an 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 interest therein.

~~F. Preferential Right to Purchase:~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms 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 on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

ARTICLE IX.

INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the 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 -----Fifteen Thousand and No/100----- Dollars (\$ 15,000.00) 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

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.

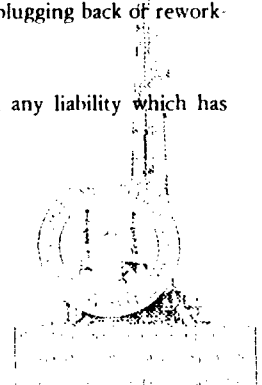
ARTICLE XIII.
TERM OF AGREEMENT

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 as to any part of 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 _____ 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 _____ 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 _____ 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.

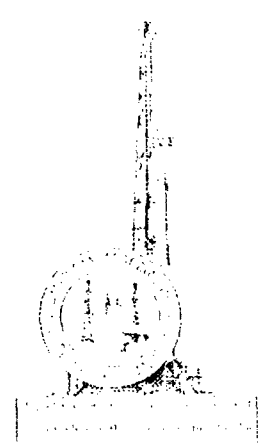
With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders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

A.) This Agreement is made subject to the Unit Agreement for the Development and Operation of the Longbow Unit dated the same date hereof (the "Unit Agreement"). In the event of any conflict between the provisions of this Agreement and said Unit Agreement, the provisions of the Unit Agreement shall prevail.

B.) Reference is made to those certain Operating Agreements dated July 17, 1995 and February 23, 1996, Pogo Producing Company, Operator, Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., Non-Operators, covering portions of the contract area encompassed herein, among other lands. Pogo Producing Company, Yates Petroleum Corporation, Yates Drilling Company, Abo Petroleum Corporation and Myco Industries, Inc., all hereby agree that such prior Operating Agreement, insofar and only insofar as covering the contract area encompassed herein, shall be replaced by this Operating Agreement, effective January 5, 1998.



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 5th day of January, 1998.

OPERATOR
POGO PRODUCING COMPANY

By: Jerry A. Cooper
Jerry A. Cooper, Vice President *JAC*

NON-OPERATORS
YATES DRILLING COMPANY YATES PETROLEUM CORPORATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ABO PETROLEUM CORPORATION MYCO INDUSTRIES, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

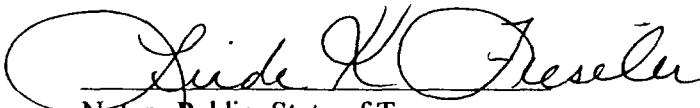


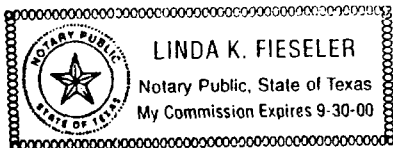
STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

This instrument was acknowledged before me on this 15th day of January, 1998, by Jerry A. Cooper, Vice President of Pogo Producing Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

9-30-00


Notary Public, State of Texas



STATE OF NEW MEXICO §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of January, 1998, by _____, as Attorney-in-Fact on behalf of Yates Petroleum Corporation.

My Commission Expires:

Notary Public, State of New Mexico

1

STATE OF NEW MEXICO §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of January, 1998, by _____, as Attorney-in-Fact on behalf of Yates Drilling Company.

My Commission Expires:

Notary Public, State of New Mexico

STATE OF NEW MEXICO §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of January, 1998, by _____, as Attorney-in-Fact on behalf of Abo Petroleum Corporation.

My Commission Expires:

Notary Public, State of New Mexico

STATE OF NEW MEXICO §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of January, 1998, by _____, as Attorney-in-Fact on behalf of Myco Industries, Inc..

My Commission Expires:

Notary Public, State of New Mexico

EXHIBIT "A"

Attached to and made a part of that certain
Operating Agreement dated January 5, 1998, by and between
Pogo Producing Company, as Operator, and
Yates Petroleum Corporation, et al, as Non-Operators

- (1) **CONTRACT AREA:** All lands are located in Lea County, New Mexico

T-21-S, R-32-E, N.M.P.M.

Section 25: S/2

Section 35: SE/4

Section 36: All

containing 1,120.0 acres more or less.

- (2) **DEPTH RESTRICTIONS:** None, save and except rights below the base of the
Bone Spring formation in Section 35, T-21-S, R-32-E.

- (3) **INTEREST OF THE PARTIES TO THIS AGREEMENT:**

<u>Owner</u>	<u>Working Interest %</u>
Pogo Producing Company	65.47%
Yates Petroleum Corporation	24.18%
Yates Drilling Company	3.45%
Abo Petroleum Corporation	3.45%
Myco Industries, Inc.	<u>3.45%</u>
TOTAL	100.00%

- (4) **OIL AND GAS LEASES SUBJECT TO THIS AGREEMENT:**

- (A) Serial No.: NM 86145
Date: March 1, 1991
Expiration Date: February 28, 1998
Lessor: USA
Original Lessee: Collins & Ware, Inc.
Mineral Interest: 100%
Royalty: 1/8
ORRI: 8.169375%
Lands: T-21-S, R-32-E, N.M.P.M.
Section 25: S/2
containing 320 acres, more or less
- B) Date: September 14, 1995
Expiration Date: September 14, 1998
Lessor: Lillian Annie Graham
Original Lessee: Louis Dreyfus Natural Gas Corp.
Mineral Interest: 33.33%
Royalty: 3/16
ORRI: 6.25%
Lands: T-21-S, R-32-E, N.M.P.M.
Section 35: SE/4, among other lands not
covered hereby
containing 160 acres, more or less

EXHIBIT

" C "

Attached to and made a part of that certain Operating Agreement dated January 5, 1998, by and between Pogo Producing Company, as Operator, and Yates Petroleum Corporation, et al, as Non-Operators

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.

thirty (30)

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 The Chase Manhattan Bank, N.A. 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 in the field.
- (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.

1 5. **Material**

2
3 Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such
4 Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is
5 reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be
6 avoided.

7
8 6. **Transportation**

9
10 Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- 11
12 A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be
13 made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like
14 material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
15
16 B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint
17 Account for a distance greater than the distance to the nearest reliable supply store where like material is normally
18 available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be
19 made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the
20 Parties.
21
22 C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is
23 available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the
24 amount most recently recommended by the Council of Petroleum Accountants Societies.
25

26 7. **Services**

27
28 The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph
29 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract
30 services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead
31 rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the
32 Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.
33

34 8. **Equipment and Facilities Furnished By Operator**

- 35
36 A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate
37 with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating
38 expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to
39 exceed twelve percent (12 %) per annum. Such rates shall not exceed average commercial
40 rates currently prevailing in the immediate area of the Joint Property.
41
42 B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the
43 immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates
44 published by the Petroleum Motor Transport Association.
45

46 9. **Damages and Losses to Joint Property**

47
48 All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or
49 losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross
50 negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as
51 soon as practicable after a report thereof has been received by Operator.
52

53 10. **Legal Expense**

54
55 Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and
56 amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to
57 protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of
58 outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be
59 covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section
60 I, Paragraph 3.
61

62 11. **Taxes**

63
64 All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof,
65 or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad
66 valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then
67 notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties
68 hereto in accordance with the tax value generated by each party's working interest.
69
70

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

1. 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:

(X) 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
(X) 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:

(X) 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 \$ _____ See VI.1 (Page 9 of this COPAS)
(Prorated for less than a full month)

Producing Well Rate \$ _____ See VI.1 (Page 9 of this COPAS)

- (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. 6 % of first \$100,000 or total cost if less, plus
B. 4 % of costs in excess of \$100,000 but less than \$1,000,000, plus
C. 2 % 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. 4 % of total costs through \$100,000; plus
B. 3 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
C. 2 % 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, sized 2½ inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000

1 pound Oil Field Haulers Association interstate truck rate shall be used.

- 2
- 3 (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston,
- 4 Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate,
- 5 to the railway receiving point nearest the Joint Property.
- 6
- 7 (d) Macaroni tubing (size less than 2 $\frac{3}{8}$ inch OD) shall be priced at the lowest published out-of-stock prices
- 8 f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate
- 9 per weight of tubing transferred, to the railway receiving point nearest the Joint Property.
- 10

11 (2) Line Pipe

- 12
- 13 (a) Line pipe movements (except size 24 inch OD and larger with walls $\frac{3}{4}$ inch and over) 30,000 pounds or
- 14 more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above.
- 15 Freight charges shall be calculated from Lorain, Ohio.
- 16
- 17 (b) Line pipe movements (except size 24 inch OD and larger with walls $\frac{3}{4}$ inch and over) less than 30,000
- 18 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment,
- 19 plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular
- 20 goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain,
- 21 Ohio.
- 22
- 23 (c) Line pipe 24 inch OD and over and $\frac{3}{4}$ inch wall and larger shall be priced f.o.b. the point of
- 24 manufacture at current new published prices plus transportation cost to the railway receiving point
- 25 nearest the Joint Property.
- 26
- 27 (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall
- 28 be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at
- 29 prices agreed to by the Parties.
- 30
- 31 (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable
- 32 supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the
- 33 railway receiving point nearest the Joint Property.
- 34
- 35 (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current
- 36 new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or
- 37 point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint
- 38 Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).
- 39

40 B. Good Used Material (Condition B)

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

42 (1) Material moved to the Joint Property

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

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

45 (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was

46 originally charged to the Joint Account as new Material or

47 (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was

48 originally charged to the Joint Account as used Material.

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

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

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

52 C. Other Used Material

53 (1) Condition C

54 Material which is not in sound and serviceable condition and not suitable for its original function until

55 after reconditioning shall be priced at fifty percent (50%) of current new price as determined by

56 Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition

57 C value plus cost of reconditioning does not exceed Condition B value.

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(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 1.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.

VI. OTHER PROVISIONS

1. Operator shall charge the Joint Account at the following rates per well per month

Drilling Well Rate (Prorated for less than a full month);

- (a) \$3,200.00 for wells drilled to a total depth of 0 - 5,000 feet;
- (b) \$4,200.00 for wells drilled to a total depth of 5,001 - 10,000 feet; and
- (c) \$5,000.00 for wells drilled to a total depth deeper than 10,001 feet.

Producing Well Rate:

- (a) \$320.00 for wells producing only from depths above 5,000 feet subsurface;
- (b) \$420.00 for wells producing only from depths of 5,001 - 10,000 feet subsurface; and
- (c) \$500.00 for wells producing only from depths deeper than 10,001 feet subsurface.

EXHIBIT "D"

Attached to and made a part of that certain
Operating Agreement dated January 5, 1998, by and between
Pogo Producing Company, as operator and
Yates Petroleum Corporation, et al, as Non-Operators

- A. Operator shall, at all times while conducting operations on the Contract Area, carry or cause to be carried, pay for, and charge to the Joint account premiums for:
1. Workman's Compensation insurance to comply with the Workman's Compensation Acts of the states in which operations are conducted.
 2. Employer's liability insurance with a single limit of not less than the minimum limits required by law in the states in which operations are conducted.

Such policies shall contain underwriter's waiver of subrogation in favor of the Parties.

- B. Each Party shall at all times while the Operating Agreement is in effect carry or cause to be carried the following coverages pertaining to its share of the liability assumed under the Operating Agreement.
1. Comprehensive General Liability Insurance - Bodily Injury and Property Damage \$1,000,000.00 Combined.
 2. Automobile Public Liability Insurance - Bodily Injury and Property Damage \$1,000,000.00 Combined.
 3. Umbrella Liability Insurance: \$5,000,000.00 in excess of all primary limits.
 4. Well Control Insurance: \$5,000,000.00 for the total loss.
- C. Any Party individually may at its own expense acquire such additional insurance as it desires; provided, however that such Party shall make a good faith effort to obtain waivers by the insurer of all rights of subrogation in favor of the other Parties to this Operating Agreement.
- D. Any and all losses not covered by insurance or which fall within the applicable policy deductible shall be borne by the Parties hereto in the proportions of their respective interests in the project. Failure of any Party to obtain insurance as required under Exhibit "D" shall not change that Party's responsibility for their portion of the loss.

EXHIBIT "E"

Attached to and made a part of that certain
Operating Agreement dated January 5, 1998, by and between
Pogo Producing Company, as Operator and
Yates Petroleum Corporation, et al, as Non-Operators

GAS BALANCING AGREEMENT

1. Each party shall have the right to take in kind and separately dispose of its proportionate share of the gas produced from the Contract Area and shall be entitled to an opportunity to produce its proportionate share of the allowable production from a well (including lawful tolerances) established by appropriate regulatory authority.

2. It is the intent that each party be entitled to gas produced in the proportion that its ownership interest bears to the sum of all ownership interests. It is the intent that the Operator have the duty of controlling gas production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to the gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

3. To give effect to the intent of this agreement, the Operator shall be governed by the following rights of each party:

- (a) Each underproduced party (a party who has not marketed or has taken a lesser volume of gas than the quantity such party is herein entitled) shall have the right upon giving ten (10) days advance written notice to Operator to take a greater amount of gas than its proportionate share of current production, provided that the right to take such greater amount shall be in proportion that its interest bears to the total interest of all underproduced parties desiring to take more than their proportionate share of the well's current production. It is understood that such "make-up" by the underproduced party shall be attributed to offset his prior underproduction in the order of accrual of the imbalance caused by such underproduction.
- (b) Each overproduced party (a party who has taken a greater volume of gas than the quantity such party is herein entitled) shall reduce its respective take in the proportion that such party's interest bears to the total interest of all overproduced parties, but in no event shall any overproduced party be required to reduce its take to less than fifty percent (50%) of such overproduced party's proportionate share of the current production of gas.

4. Each party producing and/or delivering gas to its purchaser shall pay any and all royalties and production taxes due on such gas. Nothing herein shall cause a producing party to account for or pay overriding or other leasehold burdens created by or burdening the interest of any nonproducing or underproducing party.

5. The provisions of this agreement shall be separately applicable to each well and each reservoir to the end that, subject to the provisions of Paragraph 6. below, production from one reservoir may not be utilized for the purpose of balancing underproduction from other reservoirs unless agreed to by all parties and gas is of similar vintage.

6. When production from a reservoir permanently ceases,

Operator shall be responsible to determine the final accounting of underproduction and overproduction. Each overproduced party shall have the option of furnishing each underproduced party gas of like vintage from other sources ("make-up gas") or settling the imbalance in cash as provided below. Make-up gas shall be supplied from sources determined solely by the overproduced party; provided, no such source may be included unless a delivery point for the gas can be agreed upon by the overproduced and underproduced parties involved.

If any overproduced party does not elect to supply make-up gas, or if such parties do not agree on a delivery point for the make-up gas within thirty (30) days from termination of such production, a monetary settlement will be made between the underproduced and overproduced parties. In making such settlement, each such overproduced party shall remit to the Operator for the account of each underproduced party an amount of money calculated by multiplying the volume of overproduced gas of such vintage by the actual amount of money per m.c.f. of such gas that such overproduced party actually received, less taxes and royalties theretofore paid by the overproduced party. The Operator will disburse to each underproduced party its proportionate share of monies collected. Such amount shall be shared by each underproduced party in the proportion that the underproduction of each bears to the underproduction of all parties. If any overproduced party has paid royalties or taxes attributable to his overproduction, the amount of such royalties shall be deducted from such payment made by him. The amount of payment for all such overproduction shall be determined in the order of accrual.

7. Nothing in this gas balancing agreement shall cause the Operator to produce a well or reservoir at higher than maximum allowable rates which might have been established by a regulatory authority.

8. The Operator shall maintain a running account of the gas balance between the parties and will furnish each party monthly statements showing the quantities of gas produced from each reservoir, the amount thereof used in joint account operations, vented or lost, and the total quantities delivered to purchasers together with the over/under status of each party.

EXHIBIT "F"

Attached to and made a part of that certain Operating Agreement
dated January 5, 1998, by and between
Pogo Producing Company, as Operator and
Yates Petroleum Corporation, et al, as Non-Operators

Government Compliance Certificate

This contract incorporates the following clauses,
certifications and programs by reference with the same force and
effect as if they were given in full text:

<u>No. and FAR Source</u>	<u>Title and Date</u>
48 CFR §52.219-08 FAR 19.708(a)	Utilization of Small Business Concerns and Small Disadvantages Business Concerns (Jun 1985)
48 CFR §52.219-13 FAR 19.902	Utilization of Women-Owned Small Businesses (Aug 1986)
48 CFR §52.220-03 FAR 20.302(a)	Utilization of Labor Surplus Area Concerns (Apr 1984)
48 CFR §52.222-21 FAR 22.810(a)(1)	Certification of Nonsegregated Facilities (Apr 1984)
48 CFR §52.222-25 FAR 22.810(d)	Affirmative Action Compliance (Apr 1984)
48 CFR §52.222-26 FAR 22.810(e)	Equal Opportunity (Apr 1984)
48 CFR §52.222-35 FAR 22.1308	Affirmative Action for Special Disabled and Vietnam Era Veterans (Apr 1984)
48 CFR §52.222-36 FAR 22.1408	Affirmative Action for Handicapped Workers (Apr 1984)
48 CFR §52.223-02 FAR 23.105(b)	Clean Air and Water (Apr 1984)
48 CFR §52.223-03 FAR 23.303	Hazardous Material Identification and Material Safety Data (Aug 1987)
48 CFR §52.223-06 FAR 23.505(c)	Drug-Free Workplace (Mar 1989)
48 CFR §22-804.1	Affirmative Action Programs
48 CFR §52.220-4 FAR 20.302(b)	Labor Surplus Area Subcontracting Program (Apr 1984)
48 CFR §52.219-9 FAR 19.708(b)	Small Business and Small Disadvantaged Business Subcontracting Plan (Aug 1989)

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 14th day of January, 1998

By: Jennie Ludell Kinsolving
Jennie Ludell Kinsolving

STATE OF NEW MEXICO §
 §
COUNTY OF Lea §

This instrument was acknowledged before me this 14th day of January, 1998, by Jennie Ludell Kinsolving.

My Commission Expires:
July 23, 1999

Barbara Jean Burns
Notary Public

NEW MEXICO
OIL CONSERVATION DIVISION

_____EXHIBIT 7_____
CASE NO. 11911

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15 day of January, 1998

By: Lillian Annie Graham
Lillian Annie Graham

STATE OF NEW MEXICO §
 §
COUNTY OF Chaves §

This instrument was acknowledged before me this 15 day of January, 1998, by Lillian Annie Graham

My Commission Expires:

11/17/01

Del M. Boyer
Notary Public

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Longbow Unit Area, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 21 day of January, 1998

By: Curtis A. Anderson
Curtis A. Anderson

By: Edna Anderson
Edna Anderson

STATE OF TEXAS §
COUNTY OF Midland §

This instrument was acknowledged before me this 21st day of January, 1998, by Curtis A. Anderson.

My Commission Expires:

5-13-2000

Ronald W. Wright
Notary Public

STATE OF TEXAS §
COUNTY OF Midland §

This instrument was acknowledged before me this 21st day of January, 1998, by Edna Anderson.

My Commission Expires:

5-13-2000

Ronald W. Wright
Notary Public

Rev 07/95

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 8

CASE NO. 11911



POGO PRODUCING COMPANY

NEW MEXICO
OIL CONSERVATION DIVISION

VIA FAX/MAIL

December 23, 1997

EXHIBIT 9

CASE NO. _____

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries
105 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Robert H. Bullock

Louis Dreyfus Natural Gas. Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, OK 73134-2600
Attention: Mr. Rusty Waters

Re: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Arrow Federal/Fee Exploratory Unit

Gentlemen:

Pogo hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands (see attached Breakout of Leasehold Ownership):

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)
Section 35: SE/4 (Fee)
Section 36: All (Federal)

Containing 1,120 acres, more or less

This unit is being proposed in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in Section 36, T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico. We anticipate that the dry hole cost for this well will be \$418,900.00, while a completed producer, with battery, will cost approximately ~~\$341,350.00.~~ 760,250

Based on our calculations, Pogo will have a 51.18% working interest in all wells drilled on the proposed unit, while Yates' et al working interest in this area will be 34.53% and Dreyfus' working interest will be 14.29%. Pogo further proposes that it serve as Operator of this unit.

If you are interested in joining the proposed Exploratory Unit, and are attempting to obtain preliminary approval from the BLM please advise us accordingly and we will prepare and furnish a Unit

Yates Petroleum Corporation
Louis Dreyfus Natural Gas Corp.
December 23, 1997
Page 2

Agreement and Unit Operating Agreement and AFE for this venture.


Note that we are attempting to schedule a January 22, 1998 New Mexico Oil Conservation Division Hearing for approval of such Unit. In the alternative, if you are not interested in joining the proposed Exploratory Unit and in the drilling of the subject Test

Well, Pogo would entertain a farmin covering your leasehold in the subject area.

Please be advised that the Federal Lease covering the S/2 of Section 25 requires that there be a well capable of producing within the proposed unit on or before February 28, 1998 or said lease will expire. We plan to move forward quickly on this unitization and your prompt consideration of our proposal would be appreciated.

Very truly yours,

POGO PRODUCING COMPANY


Elizabeth E. Moses
Consulting Division Landman

c:\NM619\yates.2

Enclosure

Exhibit "B"
Schedule of Ownership
Arrow Unit
T-21-S, R-32-E
Lea County, New Mexico

Tract	Description of Lands	No. of Acres	Serial No. and Expiration		Basic Royalty		Overriding Royalty		Working Interest	
			Date of Lease	Ownership	Percentage	Lessee of Record	Ownership	Percentage	Ownership	Percentage
1	Section 25 S2	320	NM NM 86145 2/28/1998	United States of America	12.50%	Pogo Producing Company	Curtis A. Anderson, et al Pogo Producing Company, et al Collins & Wiers, Inc. Fortson Oil Company Erma Lowe Trust fbo Caylon Lowe Trust fbo Erma Lowe Trust fbo Carson L.R. Trust Erma Lowe Trust fbo Samartha Adelaide Trust John S. Titt, et al Michael A. Klengwask, et al	0.607600% 1.012500% 1.417600% 2.231250% 0.743760% 0.743760% 0.743760% 0.448260% 0.223126%	Pogo Producing Company Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	59.71% 28.20% 4.03% 4.03% 4.03%
2	Section 35 SE/4	160	Fee Lands 9/14/1998	Lillian Annie Graham Jennie Lusk Kinsolving Clara Violet Chandler	6.25% 8.25% 8.25%	Louis Dreyfus Natural Gas Corp.	Louis Dreyfus Natural Gas Corp.			100.00%
3	Section 36 All	640	NM NM 85935 5/10/1998	United States of America	12.50%	Pogo Producing Company	Mitchell Energy Corporation	8.2600000%	Pogo Producing Company Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.	69.71% 28.20% 4.03% 4.03% 4.03%
TOTAL		1,120								

Recapitulation

960 Acres of Federal Lands - 85.7143%
160 Acres of Fee Lands - 14.2857%
1,120 Acres - 100.0000%



POGO PRODUCING COMPANY

VIA FAX/MAIL

December 29, 1997

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries
105 South Fourth Street
Artesia, NM 88210
Attention: Mr. Robert H. Bullock

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, OK 73134-2600
Attention: Mr. Rusty Waters

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Gentlemen:

Reference is made to Pogo Producing Company's letter of December 23, 1997 proposing the creation of an exploratory unit covering the S/2 of Section 25, the SE/4 of Section 35, and all of Section 36, T-21-S, R-32-E. Please be advised that said unit will be referred to as the Longbow Unit, instead of the Arrow Unit as used in said letter.

Also please note that the cost of the initial well was inaccurately stated in said letter. Dry hole costs are estimated to be \$418,900.00, while a completed producer, with battery, will cost approximately \$760,250.00.

Sincerely,

Elizabeth E. Moses
Consulting Landman



POGO PRODUCING COMPANY

January 15, 1998

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries
105 South Fourth Street
Artesia, NM 88210
Attention: Mr. Robert H. Bullock

EXPRESS MAIL

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Gentlemen:

Pogo Producing Company has proposed the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)
Section 35: SE/4 (Fee)
Section 36: All (Federal)

Containing 1,120 acres, more or less

Enclosed please find a copy of the proposed Unit Agreement and Unit Operating Agreement which have been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E. Two copies of Pogo's AFE for the proposed Arrow Federal 36 #1 are enclosed.

Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification and the AFE which are enclosed. The

January 15, 1998
Yates Petroleum Corporation, et al
Page Two

copy of the Unit Agreement and extra copy of the ratification and AFE are for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses".

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998.

YATES PETROLEUM CORPORATION

YATES DRILLING COMPANY

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

ABO PETROLEUM CORPORATION

MYCO INDUSTRIES, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____



EEK

POGO PRODUCING COMPANY

January 20, 1998

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, OK 73134-2600
Attention: Mr. Joe Hammond

OVERNIGHT MAIL

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Gentlemen:

As discussed, Louis Dreyfus Natural Gas Corp. has agreed to grant Pogo Producing Company a term assignment of its interest in the SE/4 of Section 35, T-21-S, R-32-E, as to rights from the surface to the base of the Bone Spring formation only. In that regard, enclosed please find a Term Assignment of Oil and Gas Leases for your execution containing the agreed upon provisions of a three month term and delivery of a 75% net revenue interest in the leases.

Also enclosed is a copy of the Unit Agreement along with five copies of a ratification prepared for Dreyfus' execution and return.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998

LOUIS DREYFUS NATURAL GAS CORP.

By: _____

Name: _____

Title: _____

STATE OF OKLAHOMA §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this _____ day of _____, 1998, by _____
_____ of Louis Dreyfus Natural Gas Corp., a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

NEW MEXICO
OIL CONSERVATION DIVISION

VIA CERTIFIED MAIL/RRR

EXHIBIT 10

Gloria Violet Chandler
P.O. Box 421
Tatum, New Mexico 88267

CASE NO. _____

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Ms. Chandler:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)

Section 35: SE/4 (Fee)

Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

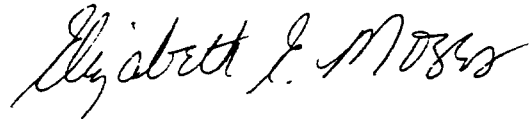
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Gloria Violet Chandler
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses". The signature is written in dark ink and is positioned above the printed name.

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this ____ day of _____, 1998

By: _____
Gloria Violet Chandler

STATE OF NEW MEXICO §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this ____ day of _____, 1998, by Gloria Violet Chandler

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Mr. Curtis Anderson
P.O. Box 1799
Midland, Texas 79702

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Curt:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)
Section 35: SE/4 (Fee)
Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Mr. Curtis A. Anderson
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses". The signature is written in dark ink and is positioned above the printed name and title.

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this ____ day of _____, 1998

By: _____
Curtis A. Anderson

By: _____
Edna Anderson

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me this ____ day of _____, 1998, by Curtis A. Anderson.

My Commission Expires:

Notary Public

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me this ____ day of _____, 1998, by Edna Anderson.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Lillian Annie Graham
HC 12, Box 1209
Roswell, New Mexico 88201

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Ms. Graham:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)
Section 35: SE/4 (Fee)
Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

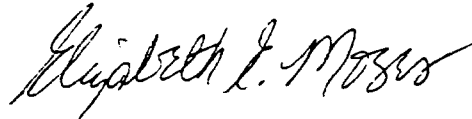
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Lillian Annie Graham
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses". The signature is written in dark ink and is positioned above the printed name and title.

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Longbow Unit Area, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998

By: _____
Lillian Annie Graham

STATE OF NEW MEXICO §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this _____ day of _____, 1998, by Lillian Annie Graham

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Michael Kulenguski
Beverly Gay Nichols
301 Commerce Street, Suite 3301
Fort Worth, Texas 76102

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Mr. Kulenguski and Ms. Nichols:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)

Section 35: SE/4 (Fee)

Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

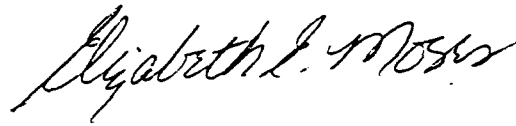
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Michael Kulenguski
Beverly Gay Nichols
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses". The signature is written in dark ink and is positioned above the printed name.

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this ____ day of _____, 1998

By: _____
Michael Kulenguski

By: _____
Beverly Gay Nichols

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me this ____ day of _____, 1998, by Michael Kulenguski

My Commission Expires:

Notary Public

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me this ____ day of _____, 1998, by Beverly Gay Nichols.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

John S. Tittl and Nancy Tittl
301 Commerce Street, Suite 3301
Fort Worth, Texas 76102

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Mr. and Mrs. Tittl:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)

Section 35: SE/4 (Fee)

Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

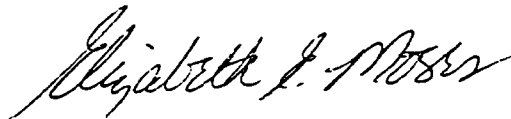
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

John S. Tittl and Nancy Tittl
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses".

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this ____ day of _____, 1998

By: _____
John S. Titl

By: _____
Nancy Titl

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me this ____ day of _____, 1998, by John S. Titl.

My Commission Expires:

Notary Public

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me this ____ day of _____, 1998, by Nancy Titl.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Fortson Oil Company
301 Commerce Street, Suite 3301
Fort Worth, Texas 76102
Attention: Mr. Brett Taylor

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Brett:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)

Section 35: SE/4 (Fee)

Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

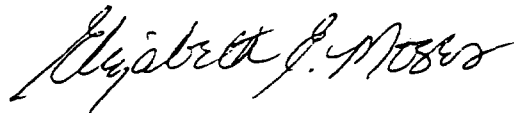
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Fortson Oil Company
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses".

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

In addition, if the undersigned is the owner of a working interest in the lands covered by said Unit Agreement, then the undersigned also hereby ratifies, approves and adopts the Unit Operating Agreement which relates to said Unit Agreement, also dated January 5, 1998.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil and gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998

FORTSON OIL COMPANY

By: _____

Name: _____

Title: _____

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this _____ day of _____, 1998, by _____ of Fortson Oil Company, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Mitchell Energy Corporation
Box 4000
The Woodlands, Texas 77387-4000
Attention: Mr. John Alloway

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Mr. Alloway:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)
Section 35: SE/4 (Fee)
Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Mitchell Energy Corporation
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses".

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998

MITCHELL ENERGY CORPORATION

By: _____

Name: _____

Title: _____

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this _____ day of _____, 1998, by _____, _____ of Mitchell Energy Corporation., a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Jennie Ludell Kinsolving
P.O. Box 1005
Crossroads, New Mexico 88114

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Ms. Kinsolving:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)

Section 35: SE/4 (Fee)

Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

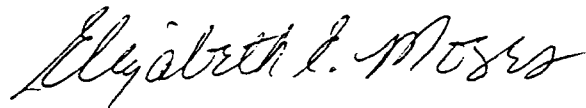
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Jennie Lauded Kinsolving
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses". The signature is written in dark ink and is positioned above the printed name and title.

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998

By: _____
Jennie Ludell Kinsolving

STATE OF NEW MEXICO §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this _____ day of _____, 1998, by Jennie Ludell Kinsolving.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Collins & Ware, Inc.
Suite 2200
303 West Wall Street
Midland, Texas 79701

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Gentlemen:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)
Section 35: SE/4 (Fee)
Section 36: All (Federal)

Containing 1,120 acres, more or less

Records reveal that you own a royalty or overriding royalty interest in a portion of said lands. Enclosed please find a copy of the proposed Unit Agreement which has been executed on behalf of Pogo Producing Company as operator. Pogo has requested preliminary approval of the unit from the Bureau of Land Management in connection with Pogo's desire to drill a 9,100' Upper Bone Spring test to be located in the SE/4 NW/4 of Section 36, T-21-S, R-32-E.

Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Collins & Ware, Inc.
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth E. Moses". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1998

COLLINS & WARE, INC.

By: _____

Name: _____

Title: _____

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me this _____ day of _____, 1998, by _____ of Collins & Ware, Inc., a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public



POGO PRODUCING COMPANY

January 12, 1998

VIA CERTIFIED MAIL/RRR

Erma Lowe Trust
c/o Maralo, Inc., Suite 400
5151 San Felipe Street
Houston, Texas 77056-3607
Attention: Mr. Joe Pulido

RE: Tomahawk Prospect NM-619
Lea County, New Mexico
Proposed Longbow Federal/Fee Exploratory Unit

Dear Joe:

Pogo Producing Company hereby proposes the creation of a Federal/Fee Exploratory Unit consisting of the following lands:

T-21-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 25: S/2 (Federal)

Section 35: SE/4 (Fee)

Section 36: All (Federal)

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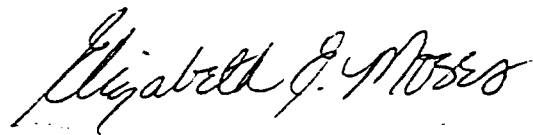
Pogo respectfully requests that you review the enclosed and, should you find it acceptable, execute and return the five copies of the ratification which are enclosed. The copy of the Unit Agreement and extra copy of the ratification is for you to keep for your records. Inasmuch as this matter has been set for hearing with the New Mexico Oil Conservation

Erma Lowe Trust
c/o Maralo, Inc.
January 12, 1998
Page 2

Division on January 22, 1998, we courteously request that you return the ratifications prior to that date.

If you have any questions regarding the information contained herein, please do not hesitate to contact the undersigned at (915) 685-8127. We appreciate your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Elizabeth E. Moses". The signature is written in dark ink and is positioned above the printed name and title.

Elizabeth E. Moses
Consulting Landman

Enclosures

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the LONGBOW UNIT AREA, County of Lea, State of New Mexico, dated January 5, 1998, in form approved on behalf of the Secretary of the Interior, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement as fully as though the undersigned had executed the original agreement.

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This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, or her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this ____ day of _____, 1998

EMMA LOWE TRUST FOR BENEFIT OF CLAYTON LOWE YOST

By: _____
Mary Ralph Lowe, Trustee

EMMA LOWE TRUST FOR BENEFIT OF CARSON R. YOST

By: _____
Mary Ralph Lowe, Trustee

EMMA LOWE TRUST FOR BENEFIT OF SAMANTHA YOST

By: _____
Mary Ralph Lowe, Trustee

MARY RALPH LOWE, TRUSTEE

By: _____
Mary Ralph Lowe, Trustee

STATE OF TEXAS

COUNTY OF _____

§
§
§

This instrument was acknowledged before me this ____ day of _____, 1998, by Mary Ralph Lowe, Trustee of the Erma Lowe Trust for Benefit of Clayton Lowe Yost, the Erma Lowe Trust for Benefit of Carson R. Yost and the Erma Lowe Trust for Benefit of Samantha Yost.

My Commission Expires:

Notary Public

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF POGO PRODUCING COMPANY
FOR APPROVAL OF A UNIT AGREEMENT, LEA
COUNTY, NEW MEXICO.

Case No. 11911

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) ss.

James Bruce, being duly sworn upon his oath, deposes and states:

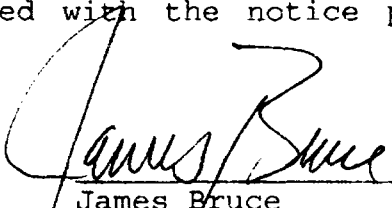
1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am an attorney for Applicant.

3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners in the proposed unit area.

4. Notice of the Application was provided to the interest owners at their correct addresses, by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.


James Bruce

SUBSCRIBED AND SWORN TO before me this 20th day of January, 1998, by James Bruce.


Notary Public

My Commission Expires:

31/12/01

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 11

CASE NO. _____

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

December 30, 1997


CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Dear Sirs:

Enclosed is a copy of an application requesting approval of a unit agreement, filed by Pogo Producing Company at the New Mexico Oil Conservation Division. Pogo's records show that you are an interest owner in the proposed unit. Joinder in this unit is voluntary. The application will be heard at 8:15 a.m. on Thursday, January 22, 1998 at the Division's offices at 2040 South Pacheco Street, Santa Fe, New Mexico 87505. Failure to appear at that time will preclude you from contesting this matter at a later date.

Very truly yours,



James Bruce

Attorney for Pogo
Producing Company

EXHIBIT A

✓ Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
MYCO Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210

Attention: Robert H. Bullock

Louis Dreyfus Natural Gas Corporation
Suite 600
14000 Quail Springs Parkway
Oklahoma City, Oklahoma 73134-2600

Attention: Rusty Waters

✓ Curtis A. Anderson
P.O. Box 1799
Midland, Texas 79702

✓ Collins & Ware, Inc.
Suite 2200
303 West Wall Street
Midland, Texas 79701

✓ Erma Lowe Trust fbo
Clayton Lowe Yost
Erma Lowe Trust fbo
Carson R. Yost
Erma Lowe Trust fbo
Samantha A. Yost
c/o Maralo, Inc.
Suite 400
5151 San Felipe Street
Houston, Texas 77056-3607

✓ Mitchell Energy Corporation
Box 4000
The Woodlands, Texas 77387-4000

✓ Fortson Oil Company
Suite 3301
301 Commerce Street
Fort Worth, Texas 76102

✓ John S. Tittl
Suite 3301
301 Commerce Street
Fort Worth, Texas 76102

✓ Michael Kulenguski
Suite 3301
301 Commerce Street
Fort Worth, Texas 76102

✓ Lillian Annie Graham
HC 12, Box 1209
Roswell, New Mexico 88201

✓ Jennie Ludell Kinsolving
P.O. Box 1005
Crossroads, New Mexico 88114

Gloria Violet Chandler
P.O. Box 421
Tatum, New Mexico

Thank you for using Return Receipt Service.

SENDER:
Complete items 1 and/or 2 for additional services.
Print your name and address on the reverse of this form so that we can return this card to you.
Attach this form to the front of the mailpiece, or on the back if space does not permit.
Write "Return Receipt Requested" on the mailpiece below the article number.
The Return Receipt will show to whom the article was delivered and the date delivered.

1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

4a. Article Number
P 329 636 433

4b. Service Type
☒ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ COD

7. Date of Delivery
050598

8. Addressee's Address (Only if requested and fee is paid)
Yates Petroleum Corp., et al.
105 South Fourth St.
Artesia, NM 88210

3. Article Addressed to:
Yates Petroleum Corp., et al.
105 South Fourth St.
Artesia, NM 88210

5. Received By: (Print Name)
JOANIN GRIGGS

6. Signature (Addressee or Agent)
Joanin Griggs

102595-97-B-0179 PS Form 3800, April 1985 Domestic Return Receipt

P 329 636 433

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Yates Petroleum Corp., et al

Street & Number
105 South Fourth St.

Post Office, State, & ZIP Code
Artesia, NM 88210

Postage \$0.55

Certified Fee 1.35

Special Delivery Fee 1.01

Restricted Delivery Fee 1.10

Return Receipt Showing to Whom & Date Delivered 1.10

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$3.00

Postmark or Date

PS Form 3800, April 1985

P 329 636 434

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Louis Dreyfus Natural Gas
Suite 600
14000 Quail Springs Parkway
Oklahoma City, OK 73134

Postage \$0.55

Certified Fee 1.35

Special Delivery Fee

Restricted Delivery Fee 1.10

Return Receipt Showing to Whom & Date Delivered

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees \$3.00

Postmark or Date

PS Form 3800, April 1985 NM

Thank you for using Return Receipt Service.

SENDER:
Complete items 1 and/or 2 for additional services.
Print your name and address on the reverse of this form so that we can return this card to you.
Attach this form to the front of the mailpiece, or on the back if space does not permit.
Write "Return Receipt Requested" on the mailpiece below the article number.
The Return Receipt will show to whom the article was delivered and the date delivered.

1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

4a. Article Number
P 329 636 434

4b. Service Type
☒ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ COD

7. Date of Delivery
1-7

8. Addressee's Address (Only if requested and fee is paid)
Louis Dreyfus Natural Gas Corp.
Suite 600
14000 Quail Springs Parkway
Oklahoma City, OK 73134

3. Article Addressed to:
Louis Dreyfus Natural Gas Corp.
Suite 600
14000 Quail Springs Parkway
Oklahoma City, OK 73134

5. Received By: (Print Name)
X [Signature]

6. Signature (Addressee or Agent)
X [Signature]

102595-97-B-0179 PS Form 3800, April 1985 Domestic Return Receipt

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

SENDER:
 Complete items 1 and/or 2 for additional services.
 Complete items 3, 4a, and 4b.
 Print your name and address on the reverse of this form so that we can return this card to you.
 Attach this form to the front of the mailpiece, or on the back if space does not permit.
 While "Return Receipt Requested" on the mailpiece below the article number.
 The Return Receipt will show to whom the article was delivered and the date delivered.

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Curtis A. Anderson
 P.O. Box 1799
 Midland, TX 79702

4a. Article Number
 P 329 636 435

4b. Service Type
☒ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ COD

5. Received By: (Print Name)
 CURTIS A. ANDERSON

6. Signature: (Address of addressee)
 CURTIS A. ANDERSON

7. Date of Delivery
 12-11-88

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

PS Form 3800, April 1995 102595-97-B-0175

P 329 636 435

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to
 Curtis A. Anderson

Street & Number
 P.O. Box 1799

Post Office, State, & ZIP Code
 Midland, TX 79702

Postage \$0.45

Certified Fee 1.35

Special Delivery Fee

Restricted Delivery Fee 1.10

Return Receipt Showing to Whom Date & Addressee's Address

TOTAL Postage & Fees \$3.00

Postmark or Date

PS Form 3800, April 1995

P 329 636 436

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to
 Collins & Ware, Inc.

Street & Number
 Ste 2200, 303 West Wall

Post Office, State, & ZIP Code
 Midland, TX 79701

Postage \$0.55

Certified Fee 1.35

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered 1.10

Return Receipt Showing to Whom Date & Addressee's Address

TOTAL Postage & Fees \$3.00

Postmark or Date

PS Form 3800, April 1995

Thank you for using Return Receipt Service.

SENDER:
 Complete items 1 and/or 2 for additional services.
 Complete items 3, 4a, and 4b.
 Print your name and address on the reverse of this form so that we can return this card to you.
 Attach this form to the front of the mailpiece, or on the back if space does not permit.
 While "Return Receipt Requested" on the mailpiece below the article number.
 The Return Receipt will show to whom the article was delivered and the date delivered.

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:
 Collins & Ware, Inc.
 Suite 2200
 303 West Wall St.
 Midland, Texas 79701
 508 W. Wall #1200

4a. Article Number
 P 329 636 436

4b. Service Type
☒ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ COD

5. Received By: (Print Name)
 CURTIS A. ANDERSON

6. Signature: (Address of addressee or addressee's agent)
 CURTIS A. ANDERSON

7. Date of Delivery
 1-5-97

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

PS Form 3811, December 1994 102595-97-B-0178

Thank you for using Return Receipt Service.

SENDER:
a. Complete items 1 and 2 for additional services.
b. Complete items 3, 4a, and 4b.
c. Print your name and address on the reverse of this form so that we can return this card to you.
d. Attach this form to the front of the mailpiece, or on the back if space does not permit.
e. While "Return Receipt Requester" on the mailpiece below the article number.
f. The Return Receipt will show to whom the article was delivered and the date delivered.

1. ☐ Addresser's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

3. Article Addressed to:
Erma Lowe Trust
c/o Maralo, Inc.
Suite 400
5151 San Felipe St.
Houston, Texas 77056-3607

4a. Article Number
P 329 636 437

4b. Service Type
☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ COD

5. Received By: (Print Name)
X Pat Dorel

6. Signature: (Address or Agent)
X Pat Dorel

7. Date of Delivery
1-5-98

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

PS Form 3800, April 1995

P 329 636 438

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Mitchell Energy Corp.
Box 4000
The Woodlands, TX 77387

Postage \$0.55
Certified Fee 1.35
Special Delivery Fee
Restricted Delivery Fee
Return Receipt Showing to Whom & Date Delivered
Return Receipt Showing to Whom, Date, & Addressee's Address
TOTAL Postage & Fees \$3.00
Postmark or Date

PS Form 3800, April 1995

SENDER:
a. Complete items 1 and 2 for additional services.
b. Complete items 3, 4a, and 4b.
c. Print your name and address on the reverse of this form so that we can return this card to you.
d. Attach this form to the front of the mailpiece, or on the back if space does not permit.
e. While "Return Receipt Requester" on the mailpiece below the article number.
f. The Return Receipt will show to whom the article was delivered and the date delivered.

1. ☐ Addresser's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

3. Article Addressed to:
Mitchell Energy Corporation
Box 4000
The Woodlands, TX 77387

4a. Article Number
P 329 636 438

4b. Service Type
☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ COD

5. Received By: (Print Name)
X Shelley Preston

6. Signature: (Address or Agent)
X Shelley Preston

7. Date of Delivery
5/1/98

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

PS Form 3811, December 1994

Is your RETURN ADDRESS completed on the reverse side?

P 329 636 437

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Erma Lowe Trust c/o Maralo
Ste 400, 5151 San Felipe
Houston, Texas 77056

Postage \$0.55
Certified Fee 1.35
Special Delivery Fee
Restricted Delivery Fee
Return Receipt Showing to Whom & Date Delivered
Return Receipt Showing to Whom, Date, & Addressee's Address
TOTAL Postage & Fees \$3.00
Postmark or Date

PS Form 3800, April 1995

Thank you for using Return Receipt Service.

PS Form 3800, April 1995

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to John S. Tittel	
Street & Number Suite 3301, 301 Commerce St.	
Post Office, State, & ZIP Code Ft. Worth, TX 76102	
Postage	\$ 0.95
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.00
Postmark or Date	

SENDER:

I also wish to receive the following services (for an extra fee):
 a. Complete items 1 and 2 for additional services.
 b. Complete items 3, 4, and 5.
 c. Print your name and address on the reverse of this form so that we can return this card to you.
 d. Attach this form to the front of the mailpiece, or on the back if space does not permit.
 e. This Return Receipt Requested on the mailpiece below the article number.
 f. The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to: John S. Tittel Suite 3301 301 Commerce Street Ft. Worth, TX 76102	
4a. Article Number P 329 636 440	4b. Service Type <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
7. Date of Delivery Jan 6 1995	
8. Addressee's Address (Only if requested and fee is paid)	
5. Received By: (Print Name) John S. Tittel	
6. Signature: (Addressee or Agent) John S. Tittel	

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

P 329 636 440

SENDER:

I also wish to receive the following services (for an extra fee):
 a. Complete items 1 and 2 for additional services.
 b. Complete items 3, 4, and 5.
 c. Print your name and address on the reverse of this form so that we can return this card to you.
 d. Attach this form to the front of the mailpiece, or on the back if space does not permit.
 e. This Return Receipt Requested on the mailpiece below the article number.
 f. The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to: Fortson Oil Co. Suite 3301 301 Commerce St. Ft. Worth, TX 76102	
4a. Article Number P 329 636 439	4b. Service Type <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
7. Date of Delivery Jan 6 1995	
8. Addressee's Address (Only if requested and fee is paid)	
5. Received By: (Print Name) John S. Tittel	
6. Signature: (Addressee or Agent) John S. Tittel	

PS Form 3811, December 1994

102595-97-B-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 329 636 439

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to Fortson Oil Co.	
Street & Number Suite 3301, 301 Commerce St.	
Post Office, State, & ZIP Code Ft. Worth, TX 76102	
Postage	\$ 0.95
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 3.00
Postmark or Date	

PS Form 3800, April 1995

PS Form 3800, April 1995

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Sent to Lillian A. Graham	
Street & Number HC 12, Box 1209	
Post Office, State, & ZIP Code Roswell, NM 88201	
Postage	\$ 0.75
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	
Postmark or Date	

P 551 285 266

SENDER:

is your RETURN ADDRESS completed on the reverse side?

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:

Michael Kulenguski
 Suite 3301
 301 Commerce Street
 Ft. Worth, TX 76102

4a. Article Number

P 329 636 442

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

JAN 9 8 1996

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

5. Received By (Print Name)

Chris W. Vacher
 Signature (Addressee or Agent)

X

PS Form 3811, December 1994

Domestic Return Receipt

102585-97-8-0179

SENDER:

is your RETURN ADDRESS completed on the reverse side?

- I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
 Consult postmaster for fee.

3. Article Addressed to:

Lillian A. Graham
 HC 12, Box 1209
 Roswell, NM 88201

4a. Article Number

P 551 285 266

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

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

5. Received By (Print Name)

Lillian A. Graham

6. Signature (Addressee or Agent)

Lillian A. Graham

PS Form 3811, December 1994

102585-97-8-0179

Domestic Return Receipt

P 329 636 442

US Postal Service
Receipt for Certified Mail
 No Insurance Coverage Provided.
 Do not use for International Mail (See reverse)

Michael

Sent to Michael Kulenguski	
Street & Number Suite 3301, 301 Commerce St.	
Post Office, State, & ZIP Code Ft. Worth, TX 76102	
Postage	\$ 0.55
Certified Fee	1.35
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$3.00
Postmark or Date	

PS Form 3800, April 1995

Thank you for using Return Receipt Service.

SENDER:
I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

PS Form 3800, April 1995

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Article Addressed to:
Jennie L. Kinsolving
P.O. Box 1005
Crossroads, NM 88114

4a. Article Number
P 551 285 267

4b. Service Type
☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ Certified
☒ Insured
☐ COD

7. Date of Delivery
1-2-98

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

5. Received By: (Print Name)
[Signature]

6. Signature: (Addressee or Agent)
X

PS Form 3811, December 1994

P 551 285 267

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Jennie L. Kinsolving
Street & Number
P.O. Box 1005
Post Office, State, & ZIP Code
Crossroads, NM 88114

Postage
\$ 0.55

Certified Fee
1.35

Special Delivery Fee

Restricted Delivery Fee

Return Receipt Showing to Whom & Date Delivered
1.10

Return Receipt Showing to Whom, Date, & Addressee's Address

TOTAL Postage & Fees
\$ 3.00

Postmark or Date

PS Form 3800, April 1995

P 551 285 268

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

PS Form 3800, April 1995

Article Addressed to:
Gloria V. Chandler
P.O. Box 421
Tatum, NM

4a. Article Number
P 551 285 268

4b. Service Type
☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ Certified
☒ Insured
☐ COD

7. Date of Delivery
1-6-98

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

5. Received By: (Print Name)
[Signature]

6. Signature: (Addressee or Agent)
[Signature]

PS Form 3811, December 1994

Thank you for using Return Receipt Service.

SENDER:
I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

PS Form 3800, April 1995

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Article Addressed to:
Gloria V. Chandler
P.O. Box 421
Tatum, NM

4a. Article Number
P 551 285 268

4b. Service Type
☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise
☐ Certified
☒ Insured
☐ COD

7. Date of Delivery
1-6-98

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

5. Received By: (Print Name)
[Signature]

6. Signature: (Addressee or Agent)
[Signature]

PS Form 3811, December 1994

Is your RETURN ADDRESS completed on the reverse side?