

James E. Kirk
Attorney at Law
2800 Wyoming Boulevard, N.E.
Albuquerque, New Mexico 87106
July 27, 1974

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O. C. C.
ARTERIA, OFFICE

Mr. J. J. Nordhoff and Dean Kirk
2400 N. 1st St.
Albuquerque, New Mexico 87106

Gentlemen:

I am writing this letter in behalf of E. W. Hall and James E. Kirk and in behalf of Charles M. Goad.

It is hereby agreed that in relation to that certain Agreement dated the 27th day of June, 1974, by and between John J. Nordhoff and Dean Kirk and E. W. Hall and James E. Kirk, and that certain Agreement dated the 27th day of June, 1974, by and between John J. Nordhoff and Dean Kirk and Charles M. Goad, in connection with the "acreage to be acquired" which is in addition to the acreage described in Exhibit "A" of such Agreements, such "acreage to be acquired", at your discretion, may or may not be on a "unitized" basis, however, if all or any part of such acreage is not on a "unitized" basis, then the first test well must be located on acreage which is part of the "unitized" block. In the event all or any part of the said acreage to be acquired is not part of the unitized block, then the royalty holders involved in the unitized block will receive no royalty interest or payment from the non-unitized block and, like-wise, the royalty holders involved in the non-unitized block will receive no royalty payment or interest from the unitized block. Provided, however, any well or wells drilled on either block will satisfy the drilling commitments set forth in the Agreement.

Very truly yours,


James E. Kirk

JEK/brf

A G R E E M E N T

This Agreement has been made and entered into this 27
day of June, 1974, by and between John J. Nordhoff
and Dean Kirk, First Party, and _____
Charles M. Goad, Second Party.

WITNESSETH:

IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN CONTAINED,
AND OTHER GOOD AND VALUABLE CONSIDERATIONS, IT IS HEREBY
AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

1. That it is acknowledged that Charles M. Goad
is ~~the~~ lessee under the following
oil and gas leases covering the following described acreage:

See attached Exhibit "B"

That Charles M. Goad hereby
represent and warrant that the aforesaid leases are in good
standing and unencumbered.

2. That Charles M. Goad
hereby agree to transfer all of his right, title and interest
in and to the foregoing leases, insofar as the foregoing acreage
is concerned, to John J. Nordhoff and Dean Kirk, and concurrent-

Assignments of such leases in favor of John J. Nordhoff and Dean Kirk.

3. That in partial consideration of the aforesaid transfer of the aforesaid leases, John J. Nordhoff and Dean Kirk agree to pay the sum of \$6,359.82 to Charles M. Goad, and concurrently with the execution of this Agreement, shall so pay the sum of \$6,359.82 to Charles M. Goad.

4. That concurrently with the execution of this Agreement, John J. Nordhoff and Dean Kirk will execute a royalty deed in favor of Charles M. Goad, giving Charles M. Goad a five percent gross royalty in the leases and acreage conveyed by Charles M. Goad to John J. Nordhoff and Dean Kirk.

5. That it is understood and agreed that John J. Nordhoff and Dean Kirk are in the process of acquiring or have acquired oil and gas leases concerning acreage located in southern De Baca County, New Mexico, totalling approximately 10,500 acres, more or less, and that a list of the acreage already acquired has been marked Exhibit "A", attached hereto and is hereby made a part hereof. It is further understood and agreed that the acreage described in Exhibit "A" and the additional acreage to be acquired will constitute, in effect, an informal unitized block. It is further understood and agreed that the lessees who have transferred or are transferring their leases concerning the acreage described in Exhibit "A" and the additional acreage to be acquired to John J. Nordhoff and Dean Kirk, including Charles M. Goad, shall be entitled to a gross royalty of five percent on all of the acreage described in Exhibit "A" and the additional acreage to be acquired, on a pro-rata basis, with the proration based upon the ratio between the amount of acreage contributed by each such transferring lessee, and, in this connection, Charles M. Goad shall be entitled to ^{his} ~~such~~ pro-rata percentage of the said gross royalty of five percent. It is

further understood and agreed that each of the transferring lessee will enter into an agreement with John J. Nordhoff and Dean Kirk, which agreement will essentially contain the same provisions and terms of this agreement. It is further understood and agreed that John J. Nordhoff and Dean Kirk shall have the right to acquire additional oil and gas leases in the same general area of the acreage described herein, in addition to the leases and acreage set forth in Exhibit "A", up to a total amount of 10,500 acres, including the acreage set forth in Exhibit "A", more or less, and such additional leases and acreage will constitute an integral part of the said informal unitized block and appropriate documents will be executed to properly include such additional acreage in the informal unitized block. In order to carry out the intent of the provisions of this paragraph, a mutually acceptable trustee shall be appointed, which trustee will be assigned the royalty deed of _____ Charles M. Goad and the royalty deed or royalty interest of each and every one of the other transferring lessees, and the said trustee shall collect all royalty payments hereafter and disburse same to the transferring lessees in accordance with each transferring lessee's pro-rata interest in the five percent gross royalty.

6. That it is further understood and agreed that it is the intent of John J. Nordhoff and Dean Kirk to assign the leases being transferred to them by Charles M. Goad _____ and all leases concerning the acreage described in Exhibit "A" and the additional leases and additional acreage to be acquired, unto a responsible person or company, hereinafter referred to as Third Party, and Third Party shall agree in writing to be bound by the terms and provisions of this Agreement.

7. That John J. Nordhoff and Dean Kirk agree that Third Party shall commence drilling a test well on the acreage described in Exhibit "A" and the additional acreage to be acquired within approximately six months from the date of this Agreement, it being the intent and desire of all who participate in a royalty and ownership in these leases with exception to the State of

New Mexico, that a well be drilled on this property at a sight to be selected by Third Party within six months of the date of this agreement. Being mindful of problems that can delay such a schedule, such as the availability of pipe, the exact timing of a rise in the area, and the completion of proper tests for location of the drilling, allowance shall be given for time to select the proper sight. If any of the above should reasonably delay drilling, all parties shall, upon being furnished with evidence as to the need for delay, agree to a new drilling date. The location of the said test well shall be determined by a capable engineer or geologist designated by John J. Nordhoff and Dean Kirk and/or Third Party. The said test will be drilled diligently and competently to the "basement". If commercial production is encountered in any pay zone, the well will be competently completed and put into operation at that point. In the event the said test well is unsuccessful, Third Party shall have eighteen months from the termination of the said drilling of the said test well to commence drilling a second test well. If the second test well is also unsuccessful, Third Party shall have eighteen months from the termination of the said drilling of the said test well to commence drilling a third test well. This procedure will follow as long as unsuccessful test wells are drilled. In the event that any of the said test wells is successful, Third Party shall commence a development program and drill additional development wells. Additional development wells will be drilled and completed with reasonable diligence and all drilling completion work and operations will be done in a competent manner, but in no event shall the second well be commenced more than eighteen months later than the completion of the first successful well.

8. That in the event the first test well is not successful and Third Party does not drill a second test well within eighteen months, as provided in Paragraph 7 hereinabove, or in the event a subsequent test well is not drilled within eighteen months after any subsequent unsuccessful test well, then John J. Nordhoff and Dean Kirk and Third Party shall be required to assign the above described leases back to Charles M. Goad

_____ forthwith and, like-wise, will be required to assign the leases concerning the acreage described in Exhibit "A" and the additional acreage to be acquired back to the other transferring lessees, and, in this event, the informal unitized block will be dissolved and the aforesaid trustee shall assign the aforesaid royalty deed back to Charles M. Goad _____ and will like-wise assign the royalty deeds back to the other transferring lessees.

9. That it is further understood and agreed that the foregoing described leases and the leases covering the acreage described in Exhibit "A" and the additional leases and additional acreage to be acquired may be assigned, sold or transferred by Third Party, but any assignment will be subject to the aforesaid royalty, and the terms of this Agreement.

10. That it is further understood and agreed that John J. Nordhoff and Dean Kirk and Third Party, and Charles M. Goad _____ will execute any further or necessary documents to carry out the purposes and intent of this Agreement.

11. That it is further understood and agreed that _____ Charles M. Goad shall be entitled to share in all information concerning the subject acreage and all wells, but shall be kept confidential if John J. Nordhoff and Dean Kirk and/or Third Party so desire.

12. It is further understood and agreed that John J. Nordhoff and Dean Kirk and/or Third Party shall pay all lease rentals and keep the leases in full force and effect at all times.

13. That this Agreement shall be binding upon the heirs, assigns and successors in interest of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

Charles M. Goad
by James E. Kirk, Attorney in
fact of Charles M. Goad.

Exhibit "A"

- Lease No. NM 11348 (Federal)
T. 1 S., R. 27 E., NMPM
Sec. 10: E $\frac{1}{2}$ E $\frac{1}{2}$
Sec. 21: S $\frac{1}{2}$
Sec. 29: E $\frac{1}{2}$
- Lease No. LG-0669 (State)
T. 1 S., R. 27 E., NMPM
Sec. 8: All
Sec. 10: NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
- Lease No. L-3574 (State)
T. 2 S., R. 26 E., NMPM
Sec. 16: E $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Sec. 21: All
Sec. 22: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$
- Lease No. L-3723 (State)
T. 2 S., R. 26 E., NMPM
Sec. 32: NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ W $\frac{1}{2}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
Sec. 33: W $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
Sec. 34: W $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
Sec. 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$
- Lease No. L-3722 (State)
T. 2 S., R. 26 E., NMPM
Sec. 31: Lots 1, 2, 3 and 4, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
- Lease No. L-5075 (State)
T. 1 S., R. 27 E., NMPM
Sec. 9: W $\frac{1}{2}$, NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
- Lease No. LG-934 (State)
T. 2 S., R. 26 E., NMPM
Sec. 34: NE $\frac{1}{4}$
- Lease No. L-670-2 (State)
T. 3 S., R. 26 E., NMPM
Sec. 4: SW $\frac{1}{4}$
- Lease No. LG-935 (State)
T. 2 S., R. 26 E., NMPM
Sec. 27: S $\frac{1}{2}$
- JSE*
[Signature]

Exhibit "B"

1. Lease No. NM 11346 (Federal)
T. 1 S., R. 26 E., NMPM
Sec. 10: N $\frac{1}{2}$
Sec. 14: All

T. 2 S., R. 26 E., NMPM
Sec. 7: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{2}$
Sec. 12: E $\frac{1}{2}$
Sec. 15: Lots 1 and 2
2. Lease No. NM 11348 (Federal)
T. 1 S., R. 27 E., NMPM
Sec. 20: E $\frac{1}{2}$ E $\frac{1}{2}$
Sec. 21: S $\frac{1}{2}$
Sec. 29: E $\frac{1}{2}$
3. Lease No. LG-0669 (State)
T. 1 S., R. 27 E., NMPM
Sec. 8: All
Sec. 10: NW $\frac{1}{2}$ NW $\frac{1}{2}$, S $\frac{1}{2}$ SW $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{2}$
4. Lease No. L-3574 (State)
T. 2 S., R. 26 E., NMPM
Sec. 16: E $\frac{1}{2}$ NE $\frac{1}{2}$, NW $\frac{1}{2}$, N $\frac{1}{2}$ SW $\frac{1}{2}$, SE $\frac{1}{2}$ SW $\frac{1}{2}$, SE $\frac{1}{2}$ SE $\frac{1}{2}$
Sec. 21: All
Sec. 22: NW $\frac{1}{2}$, W $\frac{1}{2}$ SW $\frac{1}{2}$
5. Lease No. L-3723 (State)
T. 2 S., R. 26 E., NMPM
Sec. 32: NE $\frac{1}{2}$ NW $\frac{1}{2}$, W $\frac{1}{2}$ W $\frac{1}{2}$, SE $\frac{1}{2}$ SW $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{2}$
Sec. 33: W $\frac{1}{2}$ SW $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{2}$
Sec. 34: W $\frac{1}{2}$ SW $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{2}$
Sec. 36: SE $\frac{1}{2}$ NE $\frac{1}{2}$
6. Lease No. L-3722 (State)
T. 2 S., R. 26 E., NMPM
Sec. 31: Lots 1, 2, 3 and 4, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
7. Lease No. L-5075 (State)
T. 1 S., R. 27 E., NMPM
Sec. 9: W $\frac{1}{2}$, NE $\frac{1}{2}$, NW $\frac{1}{2}$ SE $\frac{1}{2}$

J. E. K.
A.

A D D E N D U M

This document shall constitute an Addendum to that certain Agreement dated the 27th day of June, 1974, by and between John J. Nordhoff and Dean Kirk and Charles M. Goad.

For valuable considerations, receipt of which are mutually acknowledged, it is hereby agreed as follows:

1. John J. Nordhoff and Dean Kirk hereby agree to pay Charles M. Goad an additional sum of \$7,000.00, in partial consideration of Charles M. Goad executing the aforesaid Agreement.

2. Charles M. Goad shall have the right to assign any or all of his right, title and interest in the said Agreement and the royalty referred to therein, provided, however, that any assignee will be bound by all of the terms and provisions of the aforesaid Agreement.

Charles M. Goad
by James E. Kirk, attorney in
fact of Charles M. Goad
John J. Nordhoff & Dean Kirk
by John J. Nordhoff

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) :ss

The foregoing instrument was acknowledged before me this
27 day of June, 1974, by Charles M. Goad, by James E. Kirk,
Attorney in fact of Charles M. Goad, and John J. Nordhoff and Dean
Kirk, by John J. Nordhoff
My commission expires:

December 8, 1977

Notary Public