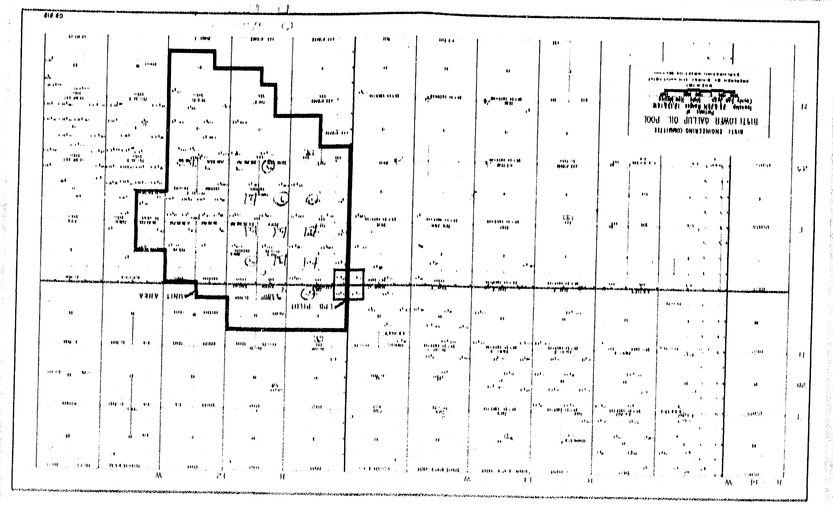
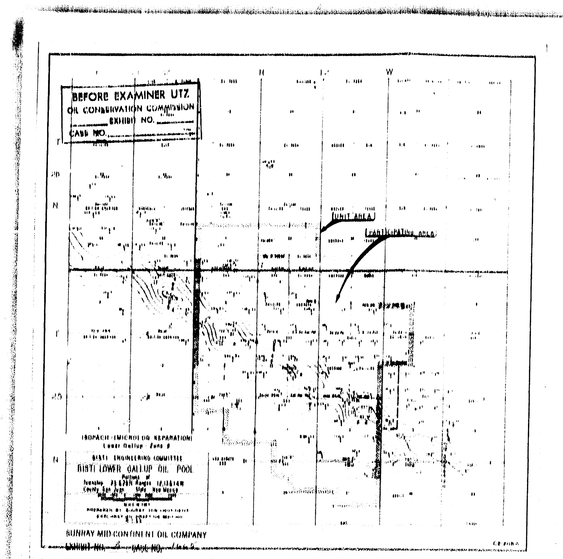
Case No.

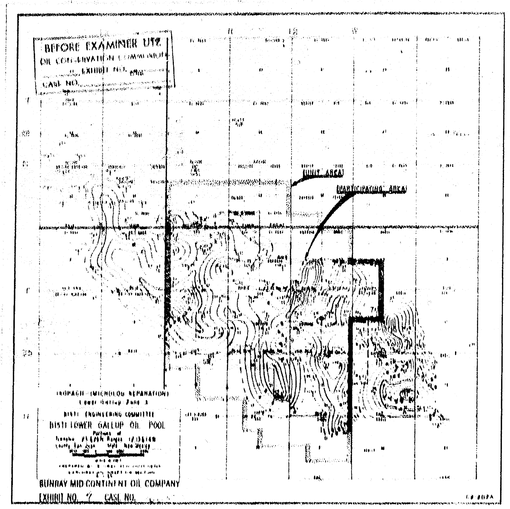
1665

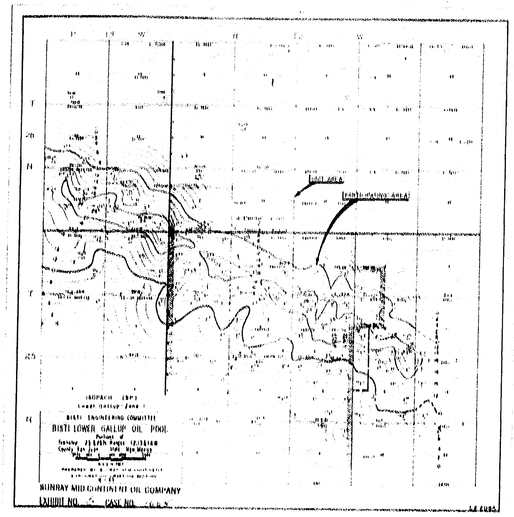
Large Exhibits

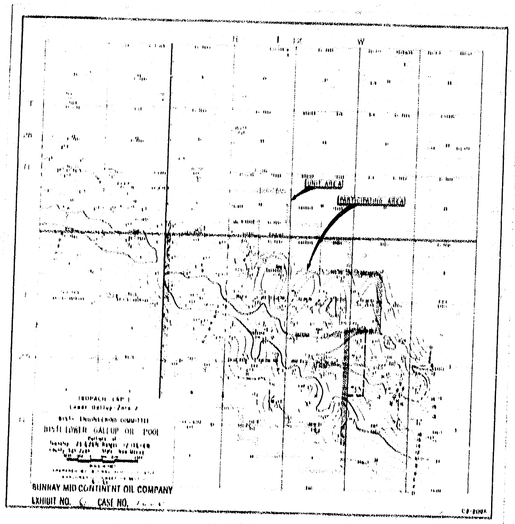
191

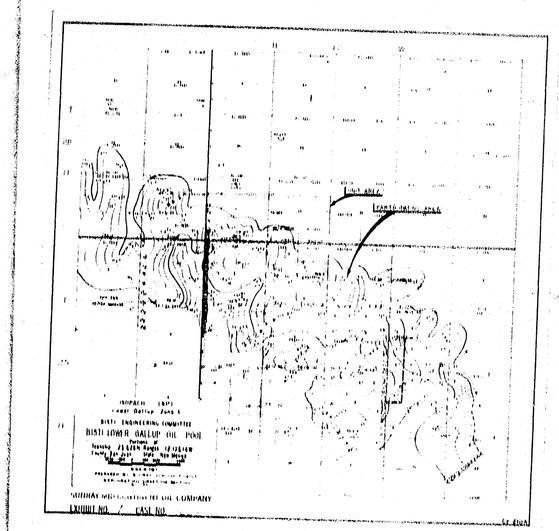


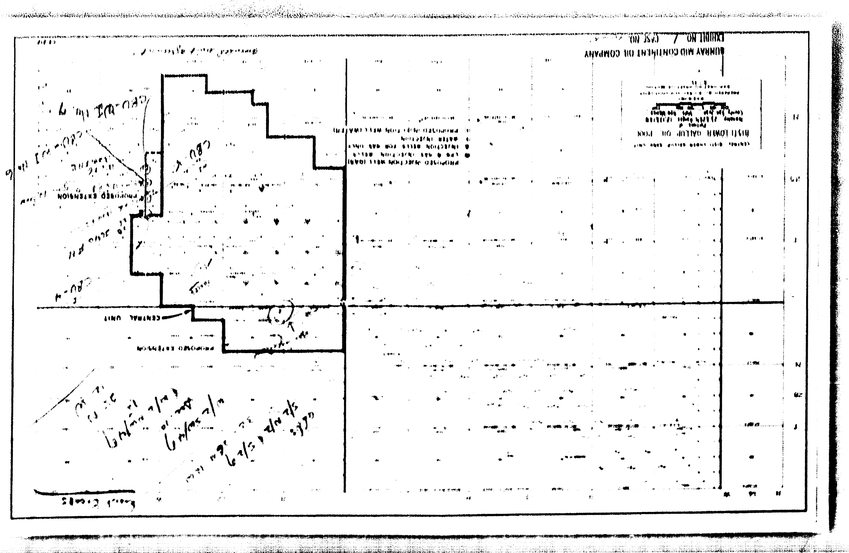


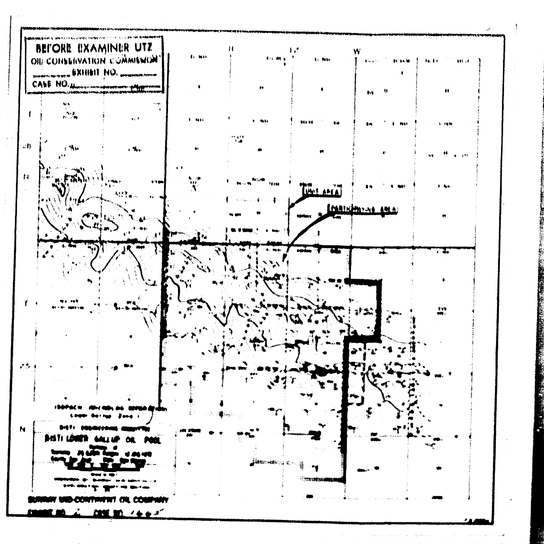


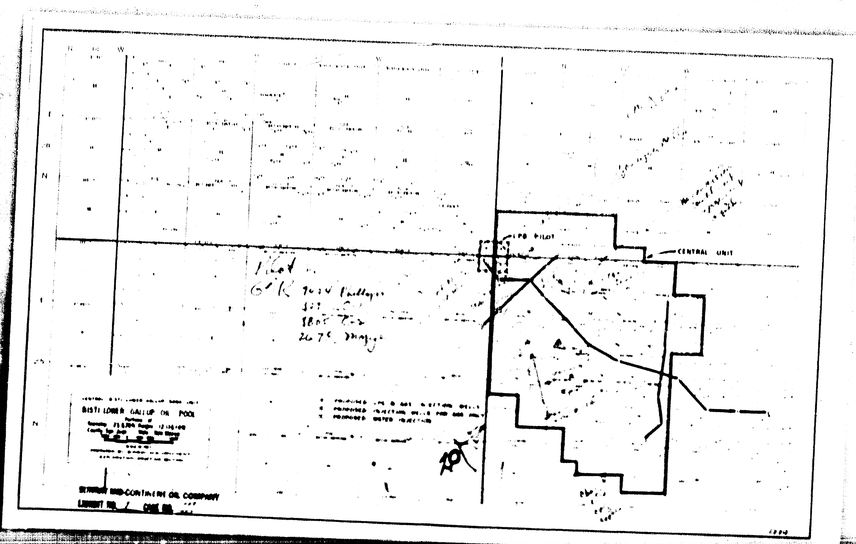


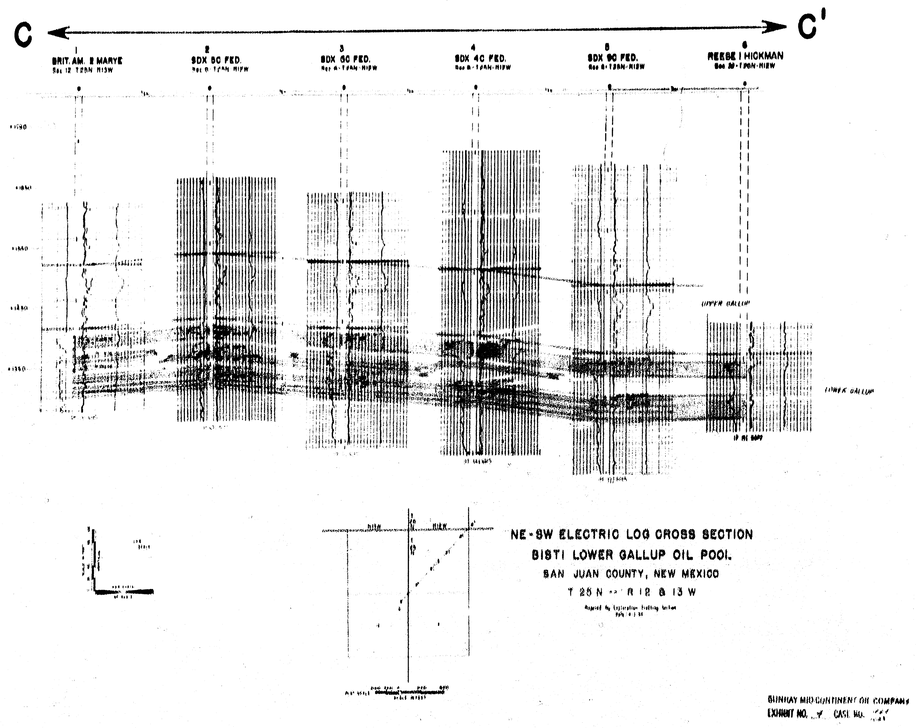








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1
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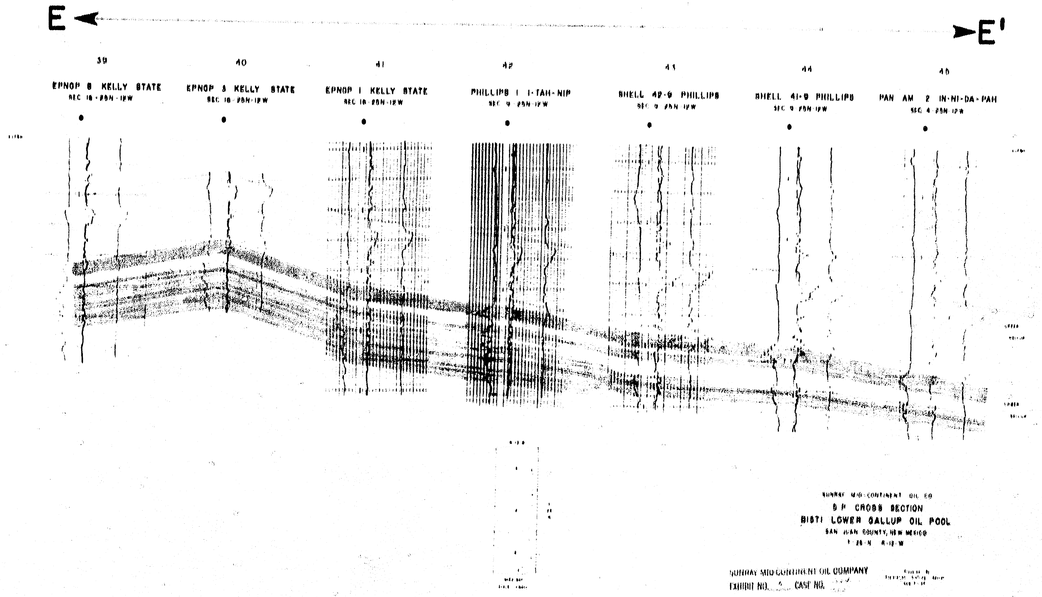
Sec. 9 T24N R13W
4
SOX 4C FED.
Sec. 4 T24N R13W
5
SOX 9C FED.
Sec. 8 T25N R13W
6
REESE 1 HICKMAN
Sec. 30 T25N R13W
UPPER GALLUP
LOWER GALLUP
NE-SW ELECTRIC LOG CROSS SECTION
BISTI LOWER GALLUP OIL POOL
SAN JUAN COUNTY, NEW MEXICO
T 25 N - R 12 & 13 W
SUNRAY MID CONTINENT OIL COMPANY
EXHIBIT NO. 4 CASE NO.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39
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SEC 16-25N-12W
42
PHILLIPS 1 I-TAH-NIP
SEC 9 25N-12W
43
SHELL 42-9 PHILLIPS
SEC 9 25N 12W
44
SHELL 41-9 PHILLIPS
SEC 9 25N-12W
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SEC 4 25N 12W
SUNRAY MID-CONTINENT OIL CO
S P CROSS SECTION
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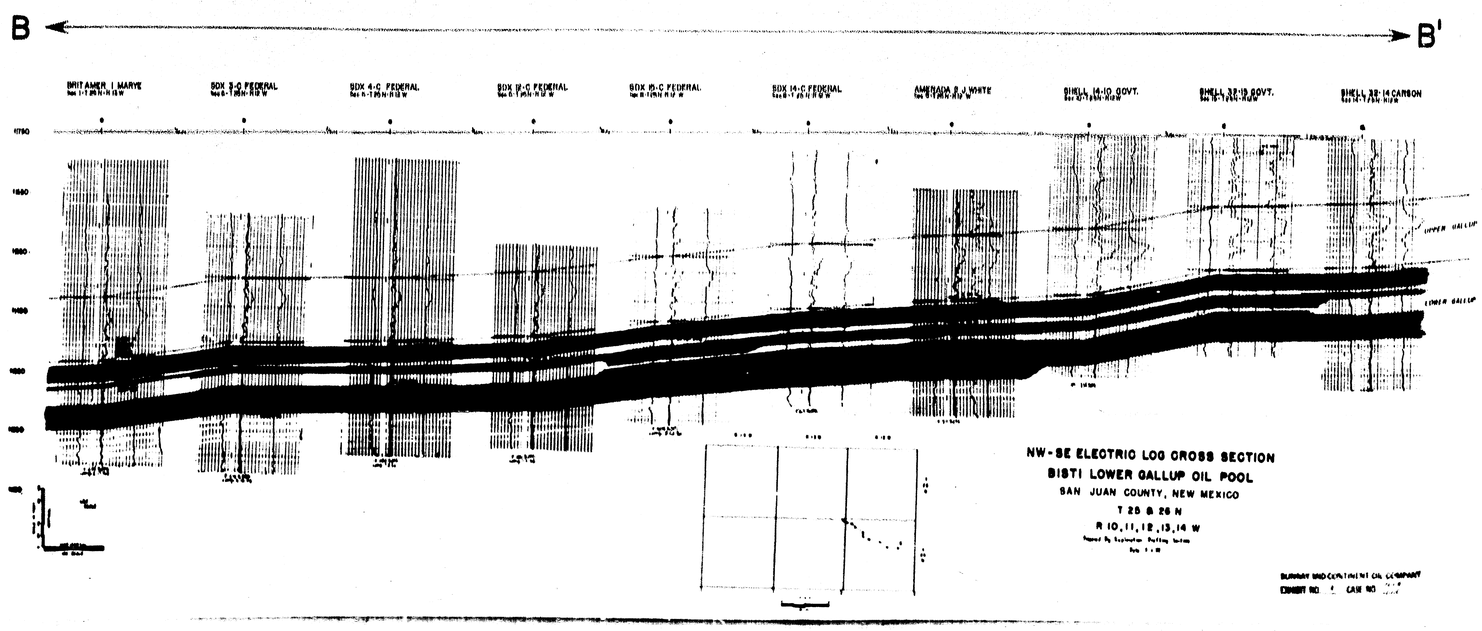
T 25 N R 12 W
SUNRAY MID-CONTINENT OIL COMPANY
EXHIBIT NO. 5 CASE NO.

192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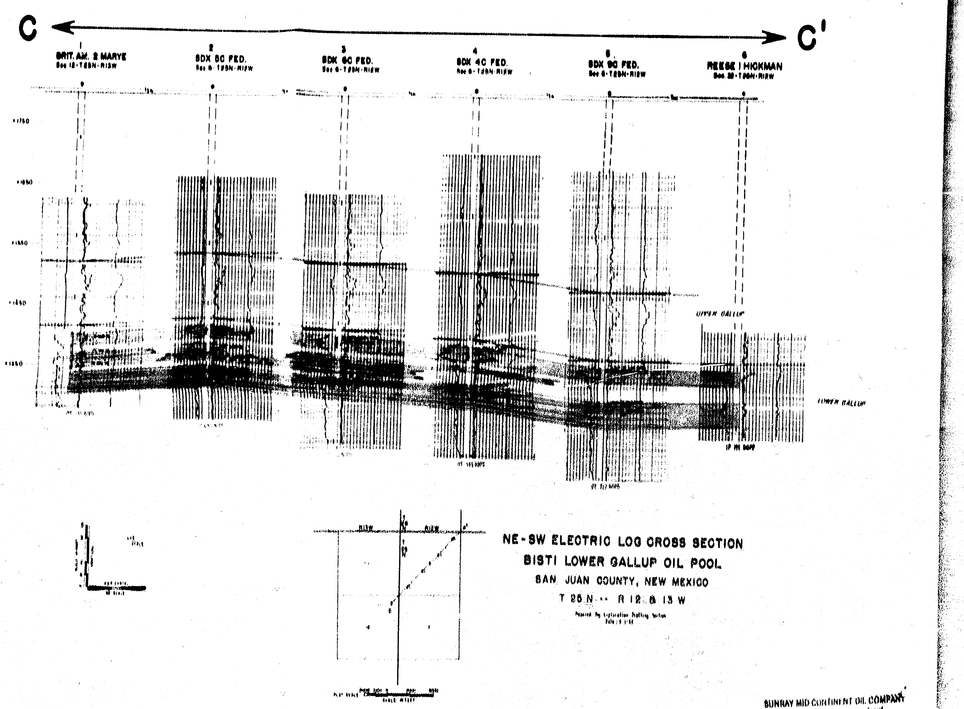
AMERADA R J WHITE
SHELL 14-10 GOVT.
SHELL 32-10 GOVT.
SHELL 32-14 CARBON
UPPER GALLUP
LOWER GALLUP
NW-SE ELECTRIC LOG CROSS SECTION
BISTI LOWER GALLUP OIL POOL
SAN JUAN COUNTY, NEW MEXICO
T 25 & 26 N
R 10, 11, 12, 13, 14 W
SUNRAY MID-CONTINENT OIL COMPANY
EXHIBIT NO. 6 CASE NO.


C
C'
BRIT. AM. 2 MARYE
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2
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Sec 6-T25N-R13W
4
SOK 4C FED.
Sec 6-T25N-R13W
5
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Sec 6-T25N-R13W
6
REESE I HICKMAN
Sec 32-T26N-R13W
+1750
+1650
+1550
+1450
+1350
UPPER GALLUP
LOWER GALLUP
1P 1H 8695
1P 1H 8695
1P 1H 8695
NE-SW ELECTRIC LOG CROSS SECTION
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SAN JUAN COUNTY, NEW MEXICO
T 25 N., R 12 & 13 W
SUNRAY MID CONTINENT OIL COMPANY
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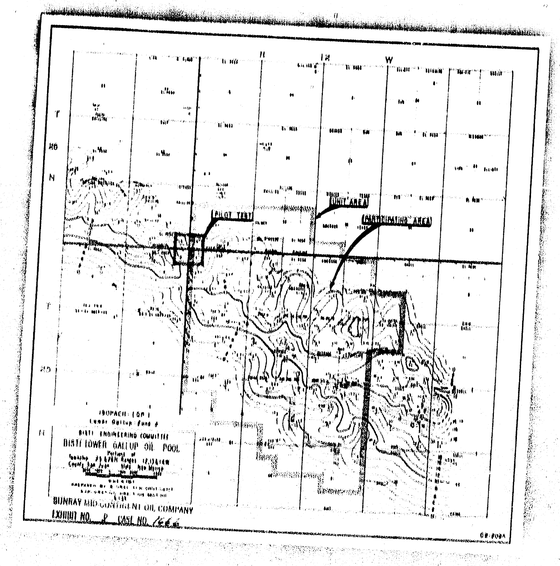
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UNIT AREA
PARTICIPATING AREA
ISOPACH - (GP)
Lower Gallup Zone 2
BISTI ENGINEERING COMMITTEE
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SUNRAY MID-CONTINENT OIL COMPANY
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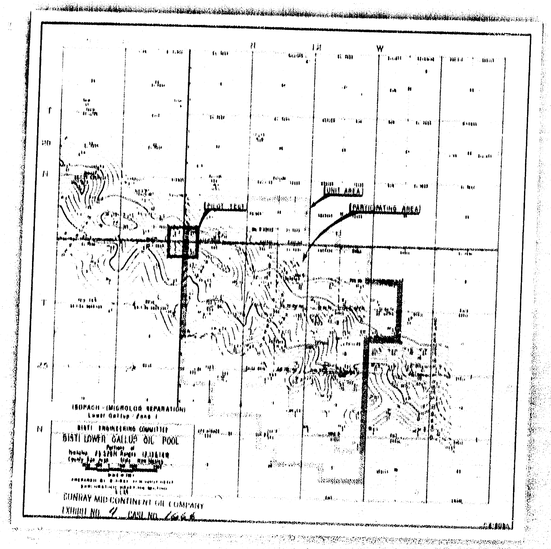
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SUNRAY MID CONTINENT OIL COMPANY
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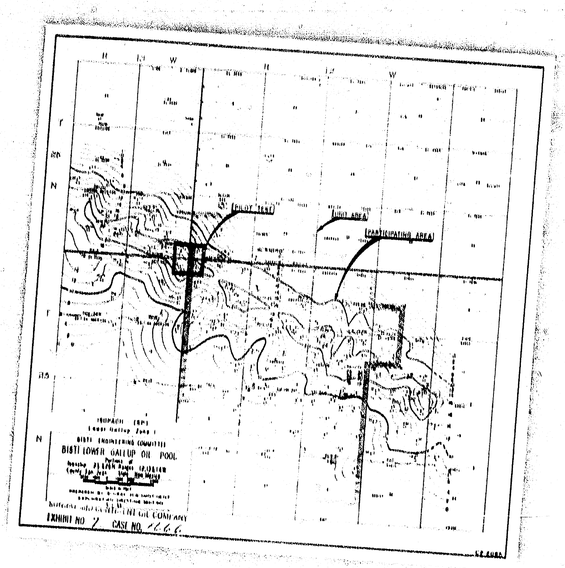
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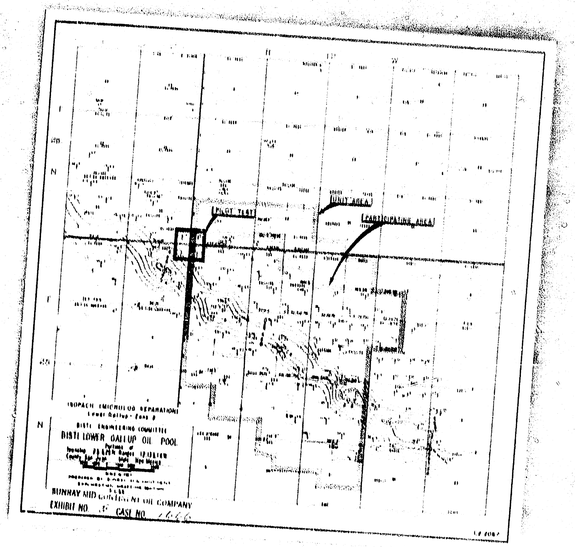
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PARTICIPATING AREA
ISOPACH - (MICROLOG SEPARATION)
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BISTI LOWER GALLUP OIL POOL
SUNRAY MID CONTINENT OIL COMPANY
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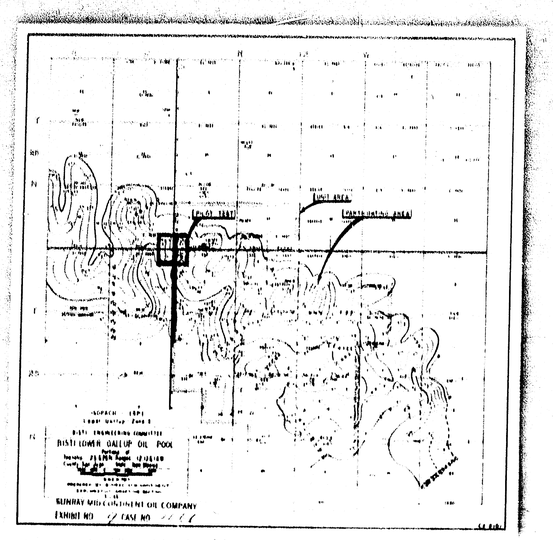
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UNIT AREA
PARTICIPATING AREA
ISOPACH - (GP)
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SUNRAY MID-CONTINENT OIL COMPANY
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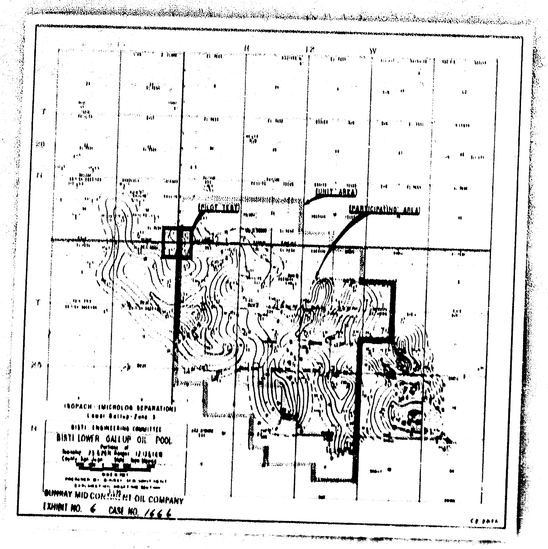
PILOT TEST
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PARTICIPATING AREA
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Lower Gallup Zone 2
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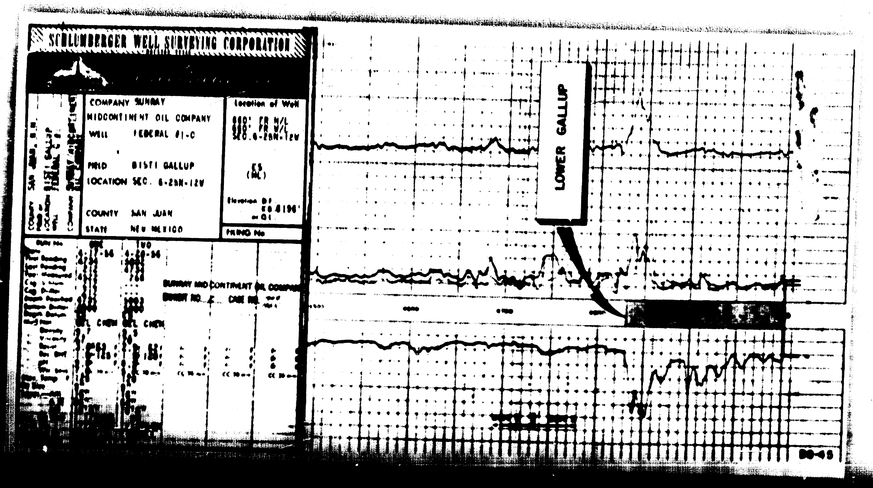
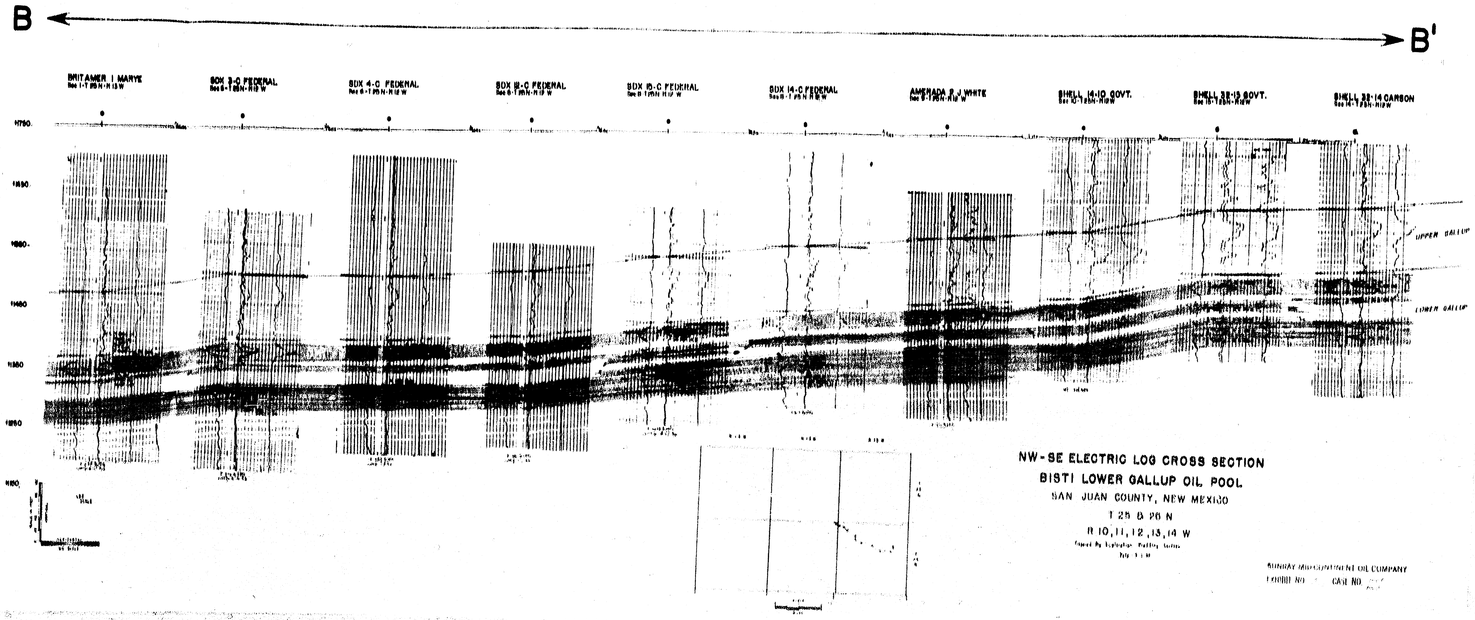
SUNRAY MID-CONTINENT OIL COMPANY
EXHIBIT NO. 6 CASE NO. 1666

193

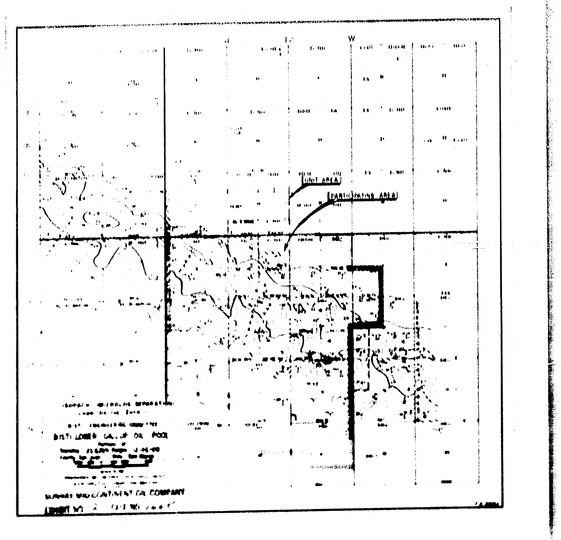

SCHLUMBERGER WELL SURVEYING CORPORATION
COMPANY SUNRAY MIDCONTINENT OIL COMPANY
WELL FEDERAL #1-C
FIELD BISTI GALLUP
LOCATION SEC. 6-25N-12W
COUNTY SAN JUAN
STATE NEW MEXICO
Location of Well
SEC. 6-25N-12W
LOWER GALLUP
SUNRAY MID CONTINENT OIL COMPANY
EXHIBIT NO. 8 CASE NO.

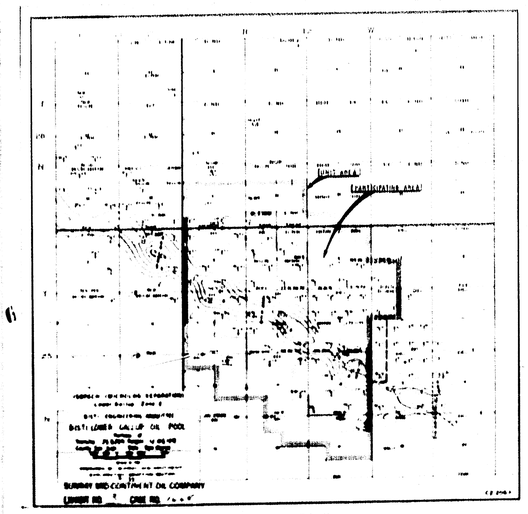


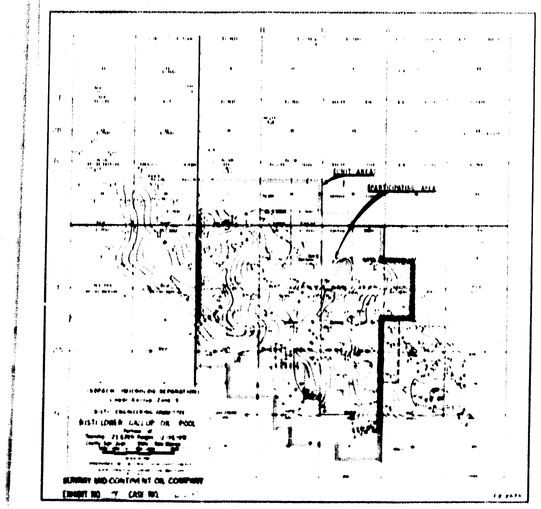
NW-SE ELECTRIC LOG CROSS SECTION
BISTI LOWER GALLUP OIL POOL
SAN JUAN COUNTY, NEW MEXICO
T 25 & 26 N
R 10, 11, 12, 13, 14 W

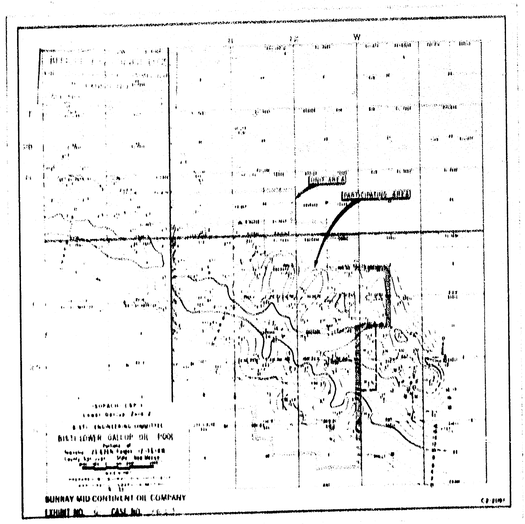
SUNRAY MID-CONTINENT OIL COMPANY
EXHIBIT NO. — CASE NO.

194





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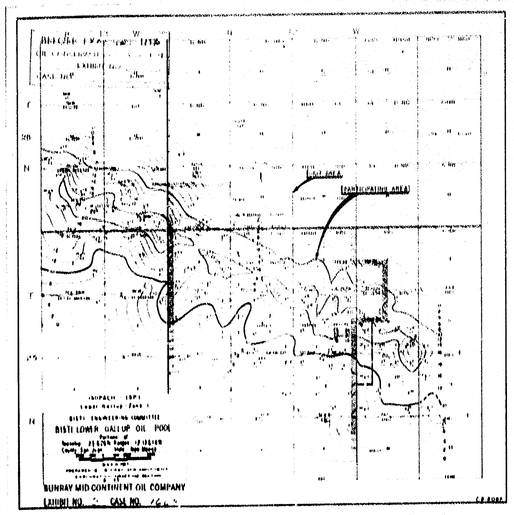
BUNRAY MID CONTINENT OIL COMPANY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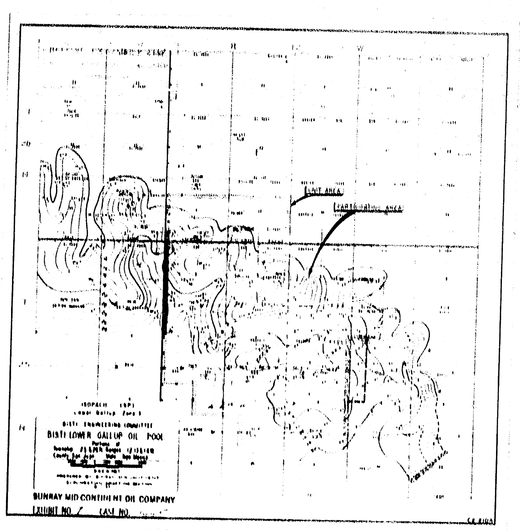
BISTI LOWER GALLUP OIL POOL
BUNRAY MID CONTINENT OIL COMPANY

195

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL BISTI LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

196

TABLE OF CONTENTS

INDEX
PREAMBLE
AGREEMENT PROPER
TRACT MAP . . . . . EXHIBIT "A"
TRACT DATA . . . . . EXHIBIT "B"
PERCENTAGE PARTICIPATION . . . EXHIBIT "C"
IDENTIFICATION - DETERMINATION
CERTIFICATE OF APPROVAL

BUNNAY MID-CONTINENT OIL COMPANY
EXHIBIT NO. 1 CASE NO. 6564

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL BISTI LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

Table of Contents

Index
Preamble
Agreement Proper

Tract Map . . . . . Exhibit "A"
Tract Data . . . . . Exhibit "B"
Percentage Participation . . Exhibit "C"
Certification - Determination
Certificate of Approval

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL BISTI LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

INDEX

SECTION		PAGE
1	Enabling Act and Regulations	3
2	Unit Area	3
3	Unitized Land and Unitized Substances	6
4	Unit Operator	6
5	Resignation or Removal of Unit Operator	7
6	Successor Unit Operator	8
7	Accounting Provisions and Unit Operating Agreement	8
8	Rights and Obligations of Unit Operator	9
9	Discovery	9
10	Plan of Further Development and Operation	10
11	Participation	11
12	Allocation of Production	14
13	Development or Operation of Non-Participating Land	19
14	Royalty Settlement	20
15	Rental Settlement	21
16	Conservation	22
17	Drainage	22
18	Leases and Contracts Conformed and Extended	23
19	Covenants Run With Land	25
20	Effective Date and Term	26

INDEX (continued)

SECTION		PAGE
21	Rate of Prospecting, Development, and Production	27
22	Appearances	27
23	Notices	28
24	No Waiver of Certain Rights	28
25	Unavoidable Delay	28
26	Fair Employment	29
27	Loss of Title	29
28	Non-Joinder and Subsequent Joinder	30
29	Counterparts	31
30	Taxes	31
31	Conflict of Supervision	31
32	No Partnership	32
33	Border Agreements	32

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UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL BISTI LOWER GALLUP SAND UNIT AREA

COUNTY OF SAN JUAN
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT entered into as of the _____ day of _____, 1959, 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 Stat. 437, as amended, 30 U.S.C. Secs. 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 under a cooperative or unit plan of development or operation of any oil or 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 168, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N. M. Statutes 1953 Annot.), to consent to and approve the development or

Operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 168), (Laws of 1951, Chap. 7, Art. 11, Sec. 41, N. M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the rules and regulations governing the leasing of restricted allotted and tribal Indian lands for oil and gas except allotments made to the members of the Five Civilized Tribes and Osage Indians in Oklahoma, promulgated by the Secretary of the Interior (25 C.F.R. 172.28(c)) under and pursuant to the Allotted Land Leasing Act of March 3, 1909, 35 Stat. 783; 25 U.S.C. Sec. 396 and the Tribal Land Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U.S.C. Sec. 396a et seq., and the oil and gas leases covering said allotted and tribal Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as "the Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935) Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Central Bisti Lower Gallup Sand 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 enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and

operation of the Bisti Lower Gallup Sand 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 Unit Area defined below and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Acts of March 3, 1909, May 11, 1938, and 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 and Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal and non-Indian 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 and non-Indian land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and is recognized as constituting the Central Bisti Lower Gallup Sand Unit Area hereinafter referred to as "Unit Area", containing 7280.44 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 land in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and

Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor and copies thereof shall be filed with the Commissioner and the Oil Conservation Commission of the State of New Mexico. The Commissioner of Indian Affairs shall hereafter be referred to as the "Indian Commissioner".

The above described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area, whenever such expansion or contraction is 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, with concurrence of at least 65% of the voting interest or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", after preliminary concurrence by the Director, or on demand of the Commissioner and Commission, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor and Commissioner and the Commission, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests 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 Supervisor, Commissioner and the Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, 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 Director, Commissioner and the Commission become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e. 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of this agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the Unit Area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as drilling operations are continued diligently, with not more than 90 days time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 7 years after said first day of the month following the effective date of this agreement shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to the approval of the Director and Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director, Commissioner and the Commission and promptly notify all parties in interest.

If conditions warrant extension of the 7-year period specified in this Subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interest and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States or of the State of New Mexico), on a total nonparticipating-acreage basis, respectively, with approval of the Director and Commissioner, provided such extension is submitted to the Director and Commissioner not later than 60 days prior to the expiration of the said 7-year period.

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.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove described lands committed to this agreement, as to the Bisti Lower Gallup Sand, are unitized under the terms of this agreement and are herein called "unitized substances", and said lands shall constitute said lands herein referred to as "unitized lands" or "lands subject to this agreement".

The Bisti Lower Gallup Sand shall be construed to mean the sand and reservoir encountered in the drilling by Amerada Petroleum Corporation of its Juan White # 1 Well between the depths of 4739 feet and 4879 feet as shown by the Schlumberger electric log of said well, which well is located in the SW¼ of SW¼ Section 9, T. 25 N., R. 12 W., San Juan County, New Mexico.

4. UNIT OPERATOR. Bunnay Mid-Continent Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the 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 that 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 when such interest is owned by it.

The term "working interest owner", as used herein shall mean the owner of such an interest in unitized substances, but shall not mean the owner of royalty interest, overriding royalty interest or other interests in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations as owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, 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 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State 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.

The resignation of Unit Operator shall not release Unit Operator from any liability or 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 interest determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and Commissioner.

In all such 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 the performance of the duties of Unit Operator and shall, not later than 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 or removal of Unit Operator under this agreement shall not terminate its rights, title or interest as the owner of a working interest or other interests in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations as owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and 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, the working interest owners shall by affirmative vote of at least Sixty-Five (65%) per cent of their voting interests, based on the percentage participations assigned to tracts in the participating area, select a successor Unit Operator; provided, however, that should any working interest owner own a voting interest of more than Thirty-Five (35%) per cent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by Eighty (80%) per cent or more of the voting interests of the remaining working interest owners and provided, further, that the Unit Operator shall not vote to succeed itself and its voting interest shall not be counted in a vote concerning its removal as the 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 Director and Commissioner.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the various working interest owners, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the various working interest owners, whether one or more, separately or collectively. Any agreement or agreements entered into between the working

shall be exercised in complying with the obligations of the approved plan of development and operation. After the effective date hereof, no further wells, except such as may be necessary to afford protection against operations not under this Agreement or such as may be specifically approved by the Supervisor, Commissioner and the Commission shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION. The following described land is recognized as reasonably proved to be productive of unitized substances and is hereby designated and fixed as the "initial participating area":

New Mexico Principal Meridian:

Township 25 North, Range 12 West, N.M.P.M.

Section 31:	Lot 4 and SE/4 SW/4 and S/2 SE/4
Section 32:	S/2 SW/4

Township 25 North, Range 13 West, N.M.P.M.

Section 1:	SW/4
Section 4:	S/2
Section 5:	Lots 3 and 4 and S/2 NW/4 and S/2 NE/4 and S/2
Section 6:	All
Section 7:	Lots 1 and 2 and E/2 NW/4 and NE/4 and E/2 SE/4
Section 8:	All
Section 9:	All
Section 10:	NW/4
Section 16:	All
Section 17:	E/2 N/2 and SE/4 NE/4 and NE/4 SE/4
Section 21:	E/2 NE/4

containing 4,713.07 acres, more or less.

In Exhibit "B", attached hereto and made a part hereof, there are listed and numbered the various tracts within the initial participating area; and set opposite each tract in a figure which represents the percentage participation to which such tract shall be entitled if all of said tracts are committed hereto as of the effective date of this agreement. In the event less than all tracts within the initial participating area are committed hereto as of the effective date of this agreement, Unit Operator, as soon as practicable after the effective date of this agreement shall file with the Supervisor, Commissioner and the Commission a schedule of those tracts within the initial participating area committed hereto as of said effective date, which said schedule shall be designated

"Revised Exhibit B" and conformed for all purposes as a part of this agreement. Such Revised Exhibit "B" shall set forth opposite each such committed tract within the initial participating area a revised percentage participation therefor, which shall be calculated by using the same tract factors and formula which were used to arrive at the percentage participation of each tract as set out in Exhibit "B" attached hereto but applying the same only to the committed tracts. Such Revised Exhibit "B", unless disapproved by the Director, Commissioner or the Commission within 30 days after filing, shall supersede, effective as of the effective date hereof, the percentage participations set forth in Exhibit "B" attached hereto until a further revision (or revisions) thereof is filed with and approved by the Director, Commissioner and Commission as hereinafter provided. The percentage participation for each tract as shown on Exhibit "B" attached hereto, or as may be shown on the Revised Exhibit "B" as above provided, is calculated and determined in accordance with the tract factors and formula set forth in Section 12 hereof and shall govern the allocation of production on and after the effective date of this Unit Agreement until the participating area is revised and the revised percentage participations are filed with and approved by the Director, Commissioner and the Commission as hereinafter provided.

The participating area established hereby as the initial participating area may be revised from time to time, subject to approval by the Director, Commissioner and the Commission, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities or determined to be essential for unit operations and the participating percentage for each tract in the participating area so enlarged shall be revised, subject to the approval of the Director, Commissioner and Commission in accordance with the same formula and factors as were used in arrive at the percentage participation of each tract as set forth in Exhibit "B"; provided, however, that notwithstanding anything herein which may be construed to the contrary, in any revision of the participating area the revised percentage

participations of the respective tracts which were participating prior to such revision shall remain in the same ratio one to another. The effective date of any revision of the participating area shall be the first of the month following the date on which the revision of the participating area is approved by the Director, Commissioner and the Commission; provided that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director, Commissioner and the Commission. No land shall be excluded from a participating area on account of depletion of the unitized substances. It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities or determined to be essential 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 Director, Commissioner and the Commission as to the proper definition or redefinition of a participating area, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due (a) the United States and Indians; and (b) the State of New Mexico, which shall be determined by the Supervisor and the Commissioner, respectively, to be held as unearned money until a participating area is revised is finally approved and then applied as earned or returned in accordance with determination of the sum due as Federal, Indian, and State royalty on the basis of such approved participating area.

Whenever it is determined subject to the approval of the Supervisor as to wells on Federal and Indian land and the Commissioner as to wells on State land, that a well drilled under this agreement is not capable of producing in paying quantities or determined not to be essential for unit operations and inclusion of the land on 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 lands

on which the well is located so long as the well is not within a participating area. Settlement for working interest benefits for such a well shall be made as provided in the Unit Operating Agreement.

If, subsequent to the effective date of this agreement, any additional tract within the initial participating area becomes committed hereto under the provisions of Section 20 hereof, or any committed tract within the initial participating area is excluded hereform under the provisions of Section 27, Unit Operator shall revise Exhibit "B" to show the new percentage participations of the committed tracts in the initial participating area, which revised Exhibit shall, upon its filing and approval by the Director, Commissioner and the Commission, supersede as of its effective date, the last previously effective Exhibit "B". In any such revision of Exhibit "B" the revised percentage participations of the respective tracts which were committed hereto prior to such revision shall remain in the same ratio one to another.

12. ALLOCATION OF PRODUCTION. For the purpose of determining any and all benefits accruing under this agreement each tract committed hereto within the participating area shall have allocated to it a proportion, equal to its percentage participation of all unitized substances produced from the unitized land (except any part thereof used in conformity with good operating practices within the Unit Area for drilling, operating, camp and other production or development purposes, for pressure maintenance or secondary recovery operations in accordance with a plan of operation approved by the Supervisor, Commissioner and the Commission, or unavoidably lost). The amount of unitized substances allocated to each tract in the participating area shall be deemed to be produced from such tract. It is hereby agreed that production of unitized substances from any part of the participating area shall be allocated as provided herein regardless of whether oil or gas is being produced from any particular tract committed hereto. If the working interests or the royalty interests in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument among all owners fixing

the division of ownership be divided among such parcels or portions in proportion to the number of surface acres in each.

The Percentage Participation for each tract in the Participating Area as set forth in Section 11 hereof was determined, and any revisions thereof shall be determined, in accordance with the following formula, which is hereby adopted:

Total Tract Original Stock Tank Oil in Place by Planiol Survey / Total Participating Area Original Stock Tank Oil in Place by Planiol Survey x 100/1

Plus

Total Tract Original Stock Tank Oil in Place by Adjusted Electric Log E. P. Profile / Total Participating Area Original Stock Tank Oil in Place by Adjusted Electric Log E. P. Profile x 100/1

Plus

Total Tract Oil Production during Base Period / Total Participating Area Oil Production during Base Period x 100/1

A Tract Percentage Participation

In connection with the foregoing formula, it is recognized and agreed that the Blsti Lower Gallup Sand as hereinabove defined is a common reservoir consisting of three productive intervals each of which has a different value as to the number of barrels of stock tank oil per acre foot in place. Said productive intervals are referred to herein as Bench 1, Bench 2, and Bench 3, respectively, and are defined as follows:

Bench 1 - shall mean and refer to the same interval of the Blsti Lower Gallup Sand encountered in the Amerada-Jicon White # 1 Well between the depths of 4797 feet and 4828 feet as shown by the Schlumberger electric log of said well, which well is located in the SE/4 of SW/4 Sec. 7, T. 25 N., R. 12 W., San Juan County, New Mexico)

Bench 2 - shall mean and refer to the same interval of the Blsti Lower Gallup Sand encountered in the said Amerada-Jicon White # 1 Well between the depths of 4828 feet and 4857 feet as shown by the Schlumberger electric log of said well

Bench 3 - shall mean and refer to the same interval of the Blsti Lower Gallup Sand encountered in said Amerada-Jicon White # 1 Well between the depths of 4857 feet and 4918 feet as shown by the Schlumberger electric log of said well.

cost of drilling, and producing operations, with a reasonable profit) from the Blsti Lower Gallup Sand have already been drilled, tested and completed within the Unit Area and production in paying quantities is currently being taken therefrom; no initial test well is required under the terms of this Unit Agreement.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. It is agreed that the unitized land will be operated under a plan of pressure maintenance or some form of secondary recovery in order to effect the greatest recovery of unitized substances, prevent waste and conserve natural resources. The Unit Operator is authorized to inject gas, oil, liquefied petroleum gas, brine, water or a combination of said substances and any one or more of said substances, irrespective of whether produced from the Blsti Lower Gallup Sand, into the Blsti Lower Gallup Sand through any well or wells now or hereafter completed therein; provided, however, that the above operations may be conducted by Unit Operator only in accordance with a plan of operation approved by the Supervisor, Commissioner and the Commission. The parties hereto hereby grant to the Unit Operator the use of brine or water or both from any formation within the Unit Area for injecting into the Blsti Lower Gallup Sand.

On or before the effective date of this agreement, Unit Operator shall submit for the approval of the Supervisor, Commissioner and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, Commissioner and the Commission, shall constitute the further drilling and operating 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 Supervisor, Commissioner and the Commission a plan or plans for an additional specified period for the development and operation of the unitized land. Said initial plan and all revisions thereof shall be as complete and adequate as the Supervisor and Commissioner may determine to be necessary for timely operations and development consistent herewith. Said plan or 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

It is further agreed that the Percentage Participation of each tract in the Participating Area, as set forth in Section 11 hereof, was calculated and determined, and any revision thereof shall be calculated and determined, by application of the foregoing formula in accordance with the following factors, definitions and procedure:

A. The original stock tank oil in place in each tract in the Participating Area and in the Participating Area as a whole, based on planiol survey, were determined as follows:

(1) The acre feet of productive sand in each of the three benches of the Blsti Lower Gallup Sand in each tract in the Participating Area was determined from net isopach maps constructed for each of the said respective three benches based on planiol engineering and geological information available that the original stock tank oil in place per acre foot for each of the said three productive benches comprising the Blsti Lower Gallup Sand based on electric log self-potential profiles is as follows:

Bench 1 - 658.0 barrels per acre foot
Bench 2 - 397.1 barrels per acre foot
Bench 3 - 407.0 barrels per acre foot

Accordingly, the total stock tank oil in place (by planiol survey) for each bench in each tract in the Participating Area was calculated by multiplying the number of acre feet of each bench in each tract by the appropriate number of barrels of stock tank oil per acre foot in place for each bench as above indicated. Similarly, the total stock tank oil in place (by planiol survey) in the Participating Area was determined by totalling the stock tank oil in place in all benches in all tracts in the Participating Area.

(2) The total stock tank oil in place (by planiol survey) in each tract in the Participating Area was then calculated by totalling the stock tank oil in place in all benches in each tract in the Participating Area. Similarly, the total stock tank oil in place (by planiol survey) in the whole of the Participating Area was determined by totalling the stock tank oil in place in all benches in all tracts in the Participating Area.

B. The original stock tank oil in place in each tract in the Participating Area and in the Participating Area as a whole based on electric log self-potential (E. P.) profile were determined as follows:

(1) The acre feet of productive sand in each of the three benches of the Blsti Lower Gallup Sand in each tract in the Participating Area was determined from net isopach maps constructed for each of the said respective three benches based on electric log self-potential profiles in accordance with acceptable geological and engineering practices and utilizing accurate survey data of the surface area of each tract in the Participating Area. It is understood that the productive sand thicknesses of each of the three benches as depicted on the said respective net isopach maps represent the non-adjusted productive sand thicknesses (which were determined by planimetering the area under the electric log self-potential profile and dividing by the value of the static self-potential measured on the up hole P-Unit Lockset Formation) and that in determining the acre feet of productive sand in each bench in each tract the productive sand thicknesses as depicted by said isopach were adjusted (based on previous core analysis) by multiplying the non-adjusted productive sand thicknesses by correction factors for each of the respective benches as follows:

	Correction Factor
Bench 1 :	1.4000
Bench 2 :	.8000
Bench 3 :	.8636

Participating Area by the appropriate number of barrels of stock tank oil per acre foot in place for each bench as above indicated.

(2) The total stock tank oil in place (by planiol survey) in each tract in the Participating Area was then calculated by totalling the stock tank oil in place in all benches in each tract in the Participating Area. Similarly, the total stock tank oil in place (by planiol survey) in the whole of the Participating Area was determined by totalling the stock tank oil in place in all benches in all tracts in the Participating Area.

C. The tract oil production during the base period and the Participating Area oil production during the base period were determined as follows:

(1) For the purposes of this agreement the "base period" shall mean and refer to the production of oil during the third quarter of 1958 (July 1, 1958 thru September 30, 1958); provided, however, that the "base period" for any well not having produced upon expiration of said 3rd quarter of 1958 shall be the last three months of the first six months in which said well was produced. However, whenever a well is to be commenced as an injection well before producing it for a sufficient period to qualify as to the base production period under the formula set forth herein, the production for

the base period may be calculated at any rate up to the maximum allowable which may be agreed to by 65% of the working interest owners and approved by the Director and the Commission.

(2) All oil production obtained from each tract during the base period, as above defined, constitutes "total tract oil production during base period" and the total of all oil production obtained during the base period from all tracts in the participating area constitutes "total participating area oil production during base period"; provided, however, that only oil production which is not in excess of the top allowable in effect for the Blsti Field during the third quarter of 1958 (i.e. 59 barrels per well for all wells having 40 acres allocated thereto and 104 barrels per well for all wells having 80 acres allocated thereto) shall be taken into account in computing "total tract oil production during base period" and "total participating area oil production during base period."

D. The Percentage Participation for each tract in the Participating Area was then calculated by application of the formula hereinabove first set forth in this section.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND. Any party or parties hereto owning or controlling the working interest or a majority of the working interests in any unitized land having thereon a regular well location may, with the approval of the Supervisor as to Federal and Indian land and the Commissioner as to State land, and subject to the provisions of the Unit Operating Agreement, at such party's sole risk, cost and expense, drill a test well to test the Blsti Lower Gallup Sand Formation if such location is not within a participating area, or drill any well not actually agreed to by all interested parties, unless within 90 days from receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled, as aforesaid, by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be enlarged as provided in this agreement, and the party or parties paying the cost of drilling such well shall be reimbursed as provided in the Unit Operating Agreement for the cost of drilling such well, and the well shall thereafter be

operated by Unit Operator in accordance with the terms of this agreement and the Unit Operating Agreement.

If any well drilled, as aforesaid, by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, 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, the Indians, and the State of New Mexico and all royalty owners who, under existing contracts, are entitled to take in kind a share of the unitized substances produced from any tract, shall hereafter be entitled to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases except that said royalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into the unitized land for use in pressure maintenance, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, Commissioner and the Commission, a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided

197

shall be paid at the rate specified in the respective leases, or may be reduced or waived by the Director in cases of hardship or public benefit.

(2) Royalties shall be due and payable at the end of each month, and may be paid in kind or in cash, as the Director may elect.

82. DILIGENCE REQUIRED.

(1) Each lease shall require the lessee to exercise reasonable diligence in developing and producing the leased area, and shall provide that if, after the expiration of the first five years of the lease, the lessee is not producing oil or gas in paying quantities, the lease may be terminated by the Director unless the lessee shall show to the satisfaction of the Director that it is then exercising reasonable diligence in developing the leased area.

(2) Each lease shall require the lessee to drill such wells as may be reasonably necessary to protect the leased area from drainage by wells on adjacent lands not owned by the lessee, or in lieu of drilling any such well to pay adequate compensation as determined by the Director.

83. ASSIGNMENT OF LEASES.

(1) No lease or any interest therein shall be assigned, sublet, or transferred except with the approval of the Director. Any attempted assignment without such approval shall be void.

(2) The Director may require the filing of any assignment or sublease and may disapprove it if he finds that the assignee is not qualified to hold a lease or that the assignment would tend to create monopoly or restrain competition.

84. PENALTIES FOR VIOLATIONS.

(1) Any person who knowingly violates any provision of this Act or any regulation or order issued thereunder shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine not exceeding $5,000 or by imprisonment not exceeding one year, or by both such fine and imprisonment.

(2) Any person who willfully makes any false statement or representation in any application, report, or other document required to be filed under this Act or any regulation thereunder shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine not exceeding $10,000.

85. CANCELLATION OF LEASES.

(1) The Director may cancel any lease upon failure of the lessee to comply with any provision of the lease, this Act, or the regulations issued thereunder, after thirty days' written notice to the lessee, unless within that period the lessee takes corrective action or files a petition for hearing.

(2) Upon cancellation, all rights of the lessee in the leased lands shall terminate, but the lessee shall remain liable for all obligations accrued prior to cancellation, including royalties and the cost of plugging wells.

86. APPEALS.

(1) Any person adversely affected by a decision of the Director may appeal to the Secretary within thirty days of such decision. The Secretary shall hear the appeal de novo and render a final decision within ninety days of the filing of the appeal.

(2) The filing of an appeal shall not stay the effectiveness of the decision appealed from unless the Secretary so orders upon application and showing of good cause.

87. SEVERABILITY.

If any provision of this Act or the application thereof to any person or circumstance is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

88. EFFECTIVE DATE.

This Act shall take effect on the first day of the month following the expiration of ninety days after its enactment.

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

By_____
Vice President

_____
Address

ATTEST:

_____
Secretary

Date of Signature:

_____

PHILLIPS PETROLEUM COMPANY

By_____
Vice President

_____
Address

ATTEST:

_____
Secretary

Date of Signature:

_____

PAN AMERICAN PETROLEUM CORPORATION

By_____
Attorney-in-Fact

_____
Address

ATTEST:

_____
Secretary

Date of Signature:

_____

SOUTHERN UNION GAS COMPANY

By_____
Vice President

_____
Address

ATTEST:

_____
Secretary

Date of Signature:

_____

EL PASO NATURAL GAS PRODUCTS COMPANY

By_____
Vice President

_____
Address

ATTEST:

_____
Secretary

Date of Signature:

_____

SHELL OIL COMPANY

By_____
Vice President

_____
Address

ATTEST:

_____
Secretary

Date of Signature:

_____

VAL R. REESE AND ASSOC., INC.

By_____
Vice President

_____
Address

Date of Signature:

_____

Witness:

_____

LAWRENCE O. KEHOE, TRUSTEE

_____
Address

Date of Signature:

_____

Witness:

_____

_____
Address

Date of Signature:

_____

Witness:

_____

_____
Address

STATE OF OKLAHOMA }
COUNTY OF TULSA } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of MID-CONTINENT OIL COMPANY, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of AMERADA PETROLEUM CORPORATION, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of PHILLIPS PETROLEUM COMPANY, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of SOUTHERN UNION GAS COMPANY, a_____corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a_____corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of SHELL OIL COMPANY, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 1959, before me appeared_____, to me personally known, who, being by me duly sworn, did say that he is Vice President of_____, a_____corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said_____ acknowledged said instrument to be the free act and deed of said corporation.

_____
Notary Public

My commission expires:

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 19____, before me personally appeared_____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

_____
Notary Public

My commission expires:

_____

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 19____, before me personally appeared_____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

_____
Notary Public

My commission expires:

_____

STATE OF_____ }
COUNTY OF_____ } ss.

On this____day of_____, 19____, before me personally appeared_____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

_____
Notary Public

My commission expires:

_____

EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF ALL LANDS WITHIN THE CENTRAL BISTI LOWER GALLUP SAND UNIT TOWNSHIPS 25 AND 26 NORTH, RANGE 12 WEST, SAN JUAN COUNTY, NEW MEXICO

Tract Number	Description	No. of Acres	Serial No. & Date of Lease or Application	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEDERAL LANDS							
1	T26N, R12W Sec. 31: Lots 2, 3, E/2 NW/4, E/2 SW/4, S/2 NE/4, SE/4, E/2 SW/4, SW/4	899.18	M-01809 P-1-48 H.B.P.	USA 12½	Sunray Mid-Continent Oil Company	None	Sunray Mid-Continent Oil Company - All
	T25N, R12W Sec. 5: Lots 3 & 4, S/2 NW/4 Sec. 6: All Lots 1, 2, 3, 4, 5, 6, S/2 N/2, S/2 NE/4, E/2 SW/4, SE/4 Sec. 7: All Lots 1, 2, 3, 4, E/2 W/2, E/2 Sec. 8: N/2 Sec. 18: Lot 1 & NE/4 NW/4						
2	T25N, R12W Sec. 17: W/2, SE/4, W/2 SW/4, E/2 SW/4 Sec. 18: NE/4, N/2 SE/4 Sec. 20: NE/4, NE/4 NW/4	1040.00	M-01809B P-1-48 H.B.P.	USA 12½	Sunray Mid-Continent Oil Company	None	Sunray Mid-Continent Oil Company - All

EXHIBIT "B" (Continued)

1	T25N, R12W Sec. 31: N/2, N/2 S/2, NE/4 NW/4	440.00	M-01809A P-1-48 H.B.P.	USA 12½	Shell Oil Company	1/8 of 8/8 divided as follows: Gt. E. Hall & Christine Hall 1/16 Ralph Lowe & Emma Lowe 1/16 Hal C. Pace & Josie Fae Pace 1/16 J. F. Portella & Jessie Portella 1/16 J. H. Martin & Lucille Martin 1/16 J. Ralph Stewart & Viola Stewart 1/16 Henry Adams & Anna Evelyn Adams 1/16 C. D. Tennyson 1/16 Katherine M. Tennyson 1/16 J. Hoyt Jewell & Lillie M. Jewell 1/16	Shell Oil Company All

EXHIBIT "B" (Continued)

W. H. Dixon & Alberta Dixon 1/16

Robert Morgan Fleming, Executor and Trustee under the Will of Annette Fleming, Deceased 1/16

Gerald Fitz-Gerald & Lucretia Fitz-Gerald 1/16

Wagner O. Dixon & Nancy Mae Dixon 1/16

Reese Corporation & Rowland D. Corporation 1/16

Frank A. Bennett 1/16

W. M. Benson & Lorraine C. Benson 1/16

Antonio D. Abeyt 1/16

P. O. Dix 1/32

Lee Otis Mahoney, an non-operator Mahoney and Reeves 1/32

Mrs. Grace Walker 1/32 or 1/16

EXHIBIT "B" (Continued)

Thomas M. & Minnie Crespin 1/32 or 1/16

Charles O. & Lois L. Bennett 1/40 or 1/16

Gladys Dixon 1/40 or 1/16

Robert B. Aaronson 1/40 or 1/16

William & Florence O. Dunkelberger 1/40 or 1/16

Wallace J. Nemmir 1/8 or 1/16

Lawrence C. Lovelace 1/16 or 1/16

Morgan Lovelace 1/16 or 1/16

Manly Melling Wells 1/16 or 1/16

Benjamin J. & Helen M. Fitzsimmons 1/16 or 1/16

Lewis Orenduff 1/16 or 1/16

Stanley C. Jaramillo 1/16 or 1/16

Albert Wilson 1/16 or 1/16

Alexander A. Lo Re 1/16 or 1/16

199

EXHIBIT "B" (CONTINUED)

W. H. SLOAN & ALBERTA SLOAN 1/18

ROBERT MURRAY FARREN, EXECUTOR AND TRUSTEE UNDER THE WILL OF ANDREW FARREN, DECEASED 1/18

GERALD FITZ-GERALD & ELIZABETH FITZ-GERALD 1/36

ROBERT D. DUDEN & NANCY MAE DUDEN 1/18

REESE CLEVELAND & ROSELLE B. CLEVELAND 1/18

FRANK A. SCHULTZ 1/18

H. H. BARRON & LUCILLE C. BARRON 1/18

KATHRYN D. ASHBY 1/36

P. O. BILL 1/72

LEE ETTA HEBBERT, AS HER SEPARATE PROPERTY AND ESTATE 1/72

MRS. OLIVE MILLER 1/32 OF 1/36

EXHIBIT "B" (CONTINUED)

THOMAS H. & MINNA GROBIN 3/32 OF 1/36

CHARLES D. & LUCY S. KARUTZ 1/40 OF 1/36

GEORGE BIGAR 1/40 OF 1/36

ROBERT B. AARONSON 1/40 OF 1/36

WILLIAM & FLORENCE D. DUBILIER 1/40 OF 1/36

WALLACE B. KARUTZ 1/8 OF 1/36

LAWRENCE L. LAVELLE 1/18 OF 1/36

MYRON LIDELL 1/18 OF 1/36

MARIE HELENE WEILL 1/18 OF 1/36

BENJAMIN J. & HELEN G. PIENKOWSKI 1/16 OF 1/36

LEWIS OTERSEN 1/16 OF 1/36

STANLEY F. ZACHAREK 1/16 OF 1/36

ALBERT WILNER 1/16 OF 1/36

ALEXANDER B. LO RE 1/16 OF 1/36

EXHIBIT "B" (CONTINUED)

DANIEL ALAGNA 1/16 OF 1/36

DOWNEY ESTATE - DEFERRED 1/24

CONNOR ESTATE - DEFERRED 1/72

SID WEISS 1/5 OF 1/36

MORRIS LEVINE 1/5 OF 1/36

WILLIAM LEVINE 1/5 OF 1/36

HARRY LIPSKY 1/5 OF 1/36

LEWIS FREED 1/5 OF 1/36

ROBERT MINS 1/4, E.W. MUDGE, JR. 1/4 AND GAS PRODUCERS CORP. 1/2 OF $100/ACRE OIL PAYMENT OUT OF 12% OF 8/8

4	T25N, R12W Sec. 9: N/2; Sec. 4: Lots 1 & 2, S/2 NE/4	479.84	NM-036954 9-1-48 H.B.P.	USA 12½%	SHELL OIL COMPANY	32% OF 8/8 DIVIDED AS FOLLOWS:	SHELL OIL COMPANY ALL

O. E. HALL & CHRISTINE HALL 1/18

RALPH LOVE & EMMA LOVE 1/18

EXHIBIT "B" (CONTINUED)

HAL C. PECK & JOSIE FAY PECK 1/18

J. F. POSTELLE & MAGGIE POSTELLE 1/18

J. R. MARTIN & LUCILLE MARTIN 1/18

J. RALPH STEWART & VIOLA STEWART 1/18

HARRY ADAMS & ANNA EVALYN ADAMS 1/36

C. B. YARBROUGH 1/36

KATHERINE B. YARBROUGH 1/36

J. HOLT JEWELL & LILLIE D. JEWELL 1/36

W. H. SLOAN & ALBERTA SLOAN 1/18

ROBERT MURRAY FARREN, EXECUTOR AND TRUSTEE UNDER THE WILL OF ANDREW FARREN, DECEASED 1/18

EXHIBIT "B" (CONTINUED)

GERALD FITZ-GERALD & ELIZABETH FITZ-GERALD 1/36

ROBERT D. DUDEN & NANCY MAE DUDEN 1/18

REESE CLEVELAND & ROSELLE B. CLEVELAND 1/18

FRANK A. SCHULTZ 1/18

H. H. BARRON & LUCILLE C. BARRON 1/18

KATHRYN D. ASHBY 1/36

P. O. BILL 1/72

LEE ETTA HEBBERT, AS HER SEPARATE PROPERTY AND ESTATE 1/72

MRS. OLIVE MILLER 1/32 OF 1/36

THOMAS H. & MINNA GROBIN 3/32 OF 1/36

CHARLES D. & LUCY S. KARUTZ 1/40 OF 1/36

GEORGE BIGAR 1/40 OF 1/36

EXHIBIT "B" (CONTINUED)

ROBERT B. AARONSON 1/40 OF 1/36

WILLIAM & FLORENCE D. DUBILIER 1/40 OF 1/36

WALLACE B. KARUTZ 1/8 OF 1/36

LAWRENCE L. LAVELLE 1/18 OF 1/36

MYRON LIDELL 1/18 OF 1/36

MARIE HELENE WEILL 1/18 OF 1/36

BENJAMIN J. AND HELEN G. PIENKOWSKI 1/16 OF 1/36

LEWIS OTERSEN 1/16 OF 1/36

STANLEY F. ZACHAREK 1/16 OF 1/36

ALBERT WILNER 1/16 OF 1/36

ALEXANDER B. LO RE 1/16 OF 1/36

DANIEL ALAGNA 1/16 OF 1/36

DOWNEY ESTATE - DEFERRED 1/24

CONNOR ESTATE - DEFERRED 1/72

EXHIBIT "B" (CONTINUED)

SID WEISS 1/5 OF 1/36

MORRIS LEVINE 1/5 OF 1/36

WILLIAM LEVINE 1/5 OF 1/36

HARRY LIPSKY 1/5 OF 1/35

LEWIS FREED 1/5 OF 1/36

ROBERT MINS 1/4, E. W. MUDGE, JR. 1/4, & GAS PRODUCERS CORP. 1/2 OF $100/ACRE OIL PAYMENT OUT OF 12% OF 8/8

5	T26N, R12W Sec. 30: SW/4 NE/4	40.00	SF-078268 9-1-48 EXTENDED 1-31-60	USA 12½%	JACK C. TUNSTILL	C.H. NYE 2% OF 8/8; W. J. WEAVER 1/8% OF 8/8	TEXACO INC. - ALL (THIS LEASE HELD UNDER OPTION AGREEMENT.)

FIVE FEDERAL TRACTS CONTAINING [illegible] ACRES OR [illegible] OF UNIT AREA

STATE LANDS

6	T26N, R12W Sec. 36: S/2 SE/4	80.00	E-5348-7 H.B.P.	STATE OF NEW MEXICO 12½%	EL PASO NATURAL GAS PRODUCTS CO.	JOHN BURROUGHS & JEAN BURROUGHS 5% OF 8/8	EL PASO NATURAL GAS PRODUCTS COMPANY - ALL
7	T26N, R12W Sec. 16: ALL	640.00	E-6597-9 H.B.P.	STATE OF NEW MEXICO 12½%	LAWRENCE C. KELLY, TRUSTEE ½; EL PASO NATURAL GAS PRODUCTS COMPANY ½	AS TO N/2 OF SEC. 16 T26N, R12W LAWRENCE C. KELLY, TRUSTEE, AND INDIVIDUALLY 4.75% OF 8/8; J. D. MIDDLETON .25% OF 8/8	LAWRENCE C. KELLY, TRUSTEE - ½; EL PASO NATURAL GAS PRODUCTS CO. - ½

EXHIBIT "B" (CONTINUED)

AS TO S/2 SEC. 16 T26N, R12W LAWRENCE C. KELLY, TRUSTEE AND INDIVIDUALLY 17.85% OF 8/8

J. D. MIDDLETON .85% OF 8/8

8	T26N, R12W Sec. 36: NE/4 NE/4, S/2 NW/4, NW/4 SW/4, N/2 SE/4	240.00	E-9701 2-21-56	STATE OF NEW MEXICO 12½%	PHILLIPS PETROLEUM COMPANY	NONE	PHILLIPS PETROLEUM COMPANY - ALL
9	T26N, R12W Sec. 36: NW/4 SW/4	40.00	B-11370-43 8-5-44 H.B.P.	STATE OF NEW MEXICO 12½%	PHILLIPS PETROLEUM COMPANY	JAMES PALMER 3% OF 8/8	PHILLIPS PETROLEUM COMPANY - ALL
10	T26N, R12W Sec. 36: S/2 SW/4	80.00	B-11370-31 H.B.P.	STATE OF NEW MEXICO 12½%	J. FELIX HICKMAN	J. FELIX HICKMAN 7% OF 8/8; FIRST NAT'L BANK OF ALBUQUERQUE AS TRUSTEE FOR JEFFERY LEIGH HICKMAN 2% OF 8/8; CARROL I. PAYNE 1% OF 8/8; MERLE HICKMAN 1% OF 8/8	VAL R. REESE & ASSOC. INC. - 1/8; J. R. MCDRALL - 1/32; JOHN P. VANDENBURGH - 1/8; E. R. RICHARDSON - 1/16; THOMAS W. CARSEN - 1/16; OSCAR M. LOVE - 1/8; FRED LUTHY - 1/32; JAMES E. SPERLING - 1/32; EZRA M. THOMPSON - 1/32

FIVE STATE OF NEW MEXICO TRACTS CONTAINING 1080.00 ACRES OR 14.6179% OF UNIT AREA

EXHIBIT "B" (CONTINUED)

TRACT NUMBER	DESCRIPTION	NO. OF ACRES	CONTRACT NUMBER AND DATE	BASIC ROYALTY AND ALLOTMENT NUMBER	OVERRIDING ROYALTY	WORKING INTEREST AND PERCENTAGE
INDIAN LANDS						
11	T25N, R12W Sec. 9: NW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1292 H.B.P.	HOSKA DA WOT (JIMMIE) A/K/A JIM WHITE A/K/A JIM WHITE BENALLY - 12½% (059209)	NONE	PHILLIPS PETROLEUM COMPANY - ALL
12	T25N, R12W Sec. 9: SE/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1280 H.B.P.	I TAH NIP PAH (MARY) (MARY WHITE) A/K/A MARY WHITE CHARLEY 12½% (059206)	NONE	PHILLIPS PETROLEUM COMPANY - ALL
13	T25N, R12W Sec. 5: Lots 1 & 2, S/2 NE/4 (NE/4)	159.92	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1440 H.B.P.	TOTAL BASIC ROYALTY 12½% DIVIDED AS FOLLOWS: KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 25/64; OLE NA NUP PAH 10/64; HOSKA DA WOT (JIMMIE) A/K/A JIM WHITE (059209) - 5/64; AH NI NE PAH A/K/A SALENA WHITE (059208) - 5/64; I NI PAH A/K/A JOAN WHITE (059207) 5/64; SAM BENALLY 5/64	NONE	EL PASO NATURAL GAS PRODUCTS COMPANY - ALL

EXHIBIT "B" (CONTINUED)

I TAH NIP PAH (MARY WHITE) A/K/A MARY WHITE CHARLEY (059206) - 5/64

14	T25N, R12W Sec. 31: SW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1423 H.B.P.	KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 12½%	NONE	PAN AMERICAN PETROLEUM CORPORATION - ALL
15	T25N, R12W Sec. 4: SE/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1424 H.B.P.	TOTAL BASIC ROYALTY 12½% DIVIDED AS FOLLOWS: NA PAH (JOHN) A/K/A WILLIAM L. BENALLY (059292) - 104/896; HOSKA DA WOT A/K/A JIM WHITE (059209) - 137/896; AH NI NE PAH A/K/A SALENA WHITE (059208) - 137/896; I NI PAH A/K/A JOAN WHITE, A/K/A MRS. JOAN HARRISON (059207) - 137/896; I TAH NIP PAH (MARY WHITE) A/K/A MARY WHITE CHARLEY (059206) 137/896; JOE BLACKIE (CENUS #11118) - 38/896; USHNA NAH NE TAH A/K/A ERNEST BLACKIE - 57/896; MABEL BLACKIE - 57/896	NONE	PAN AMERICAN PETROLEUM CORPORATION - ALL

EXHIBIT "B" (CONTINUED)

OLE NA NUP PAH A/K/A MRS. JUAN DEVORE 56/896

KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 56/896

16	T26N, R12W Sec. 10: NW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1449 H.B.P.	TOTAL BASIC ROYALTY 12½% DIVIDED AS FOLLOWS: OLE NA NUP PAH 2/8; KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 1/8; HOSKA DA WOT (JIMMIE) A/K/A JIM WHITE (059209) - 1/8; AH NI NE PAH A/K/A SALENA WHITE (059208) - 1/8; I NI PAH A/K/A JOAN WHITE (059207) - 1/8; I TAH NIP PAH (MARY WHITE) A/K/A MARY WHITE CHARLEY (059206) - 1/8; SAM BENALLY - 1/8	NONE	SOUTHERN UNION GAS COMPANY - ALL

EXHIBIT "B" (CONTINUED)

17	T25N, R12W Sec. 5: Lots 3 & 4, S/2 NW/4	159.98	NAVAJO ALLOTTED CONTRACT No. 14-20-603-322 10-7-53	TOTAL BASIC ROYALTY 12½% DIVIDED AS FOLLOWS: KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 43/64; HOSKA DA WOT (JIMMIE) A/K/A JIM WHITE (059209) - 3/64; AH NI NE PAH A/K/A SALENA WHITE (059208) - 3/64; I NI PAH A/K/A JOAN WHITE A/K/A MRS. JOAN HARRISON (059207) - 3/64; I TAH NIP PAH (MARY WHITE) A/K/A MARY WHITE CHARLEY (059206) - 3/64; SAM BENALLY - 3/64; OLE NA NUP PAH - 6/64	NONE	AMERADA PETROLEUM CORPORATION - ALL
18	T25N, R12W Sec. 5: SW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-321 10-7-53 H.B.P.	KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 12½%; LEASE ALLOTMENT No. 011670	NONE	AMERADA PETROLEUM CORPORATION - ALL
19	T25N, R12W Sec. 5: SE/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-323 10-7-53 H.B.P.	TOTAL BASIC ROYALTY 12½% DIVIDED AS FOLLOWS: OLE NA NUP PAH 2/8	NONE	AMERADA PETROLEUM CORPORATION - ALL

EXHIBIT "B" (CONTINUED)

KA DA PAH A/K/A MRS. HERBERT WILLIAMS (059205) - 1/8

HOSKA DA WOT (JIMMIE) A/K/A JIM WHITE (059209) - 1/8

AH NI NE PAH A/K/A SALENA WHITE (059208) - 1/8

I NI PAH A/K/A JOAN WHITE A/K/A MRS. JOAN HARRISON (059207) - 1/8

I TAH NIP PAH (MARY WHITE) A/K/A MARY WHITE CHARLEY (059206) - 1/8

SAM BENALLY 1/8

20	T25N, R12W Sec. 6: NW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-324 10-7-53 H.B.P.	AH NI NE PAH A/K/A SALENA WHITE (059208) 12½%	NONE	AMERADA PETROLEUM CORPORATION - ALL
21	T25N, R12W Sec. 6: NE/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-325 10-7-53 H.B.P.	NA DES PAH OR SHE DES PAH LEASE ALLOTMENT No. 011673 12½%	NONE	AMERADA PETROLEUM CORPORATION - ALL
22	T25N, R12W Sec. 6: SW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-326 H.B.P.	I NI PAH A/K/A JOAN WHITE A/K/A MRS. JOAN HARRISON (059207) 12½%	NONE	AMERADA PETROLEUM CORPORATION - ALL

EXHIBIT "B" (CONTINUED)

23	T25N, R12W Sec. 33: S/2 SW/4	80.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-327 11-9-53	NA PAH (JOHN) A/K/A WILLIAM L. BENALLY (059292) 12½%	NONE	AMERADA PETROLEUM CORPORATION - ALL

13 TRACTS INDIAN ALLOTTED LAND CONTAINING [illegible] ACRES OR [illegible] OF UNIT AREA

CENTRAL BISTI LOWER GALLUP SAND UNIT AREA TOTALS:

5 FEDERAL TRACTS	[illegible] ACRES	[illegible]
5 STATE OF NEW MEXICO TRACTS	1080.00 ACRES	14.6179%
13 TRACTS INDIAN ALLOTTED LAND	[illegible] ACRES	[illegible]
	7[illegible].46 ACRES	100.0000%

200

EXHIBIT C
SCHEDULE OF TRACT PERCENTAGE PARTICIPATION
CENTRAL BISTI LOWER GALLUP SAND UNIT
SAN JUAN COUNTY, NEW MEXICO

Tract Number	Description	Serial No. and Date of Lease or Application	Percentage Participation
	Federal Lands		
1	T-25N., R-12W. Sec. 31: Lot 4, S½ NE¼, SE¼ NW¼	SF-078056 8-1-48 H.B.P.	43.36811
	T-25N., R-13W. Sec. 25: Lots 3 and 4, S½ NW¼, SW¼ Sec. 26: All; Lots 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, NE¼, E½ NW¼, S½ SW¼, SE¼ Sec. 35: Lots 1, 2, 3, 4, S½ NW¼, SW¼ Sec. 36: All		
2	T-25N., R-12W. Sec. 33: S½ NW¼, W½ NE¼, SE¼ NE¼, NE¼ SE¼	SF-078058 8-1-48 H.B.P.	8.16406
3	T-25N., R-12W. Sec. 34: W½ NE¼	SF-078065 8-1-48 H.B.P.	0.57718
4	T-25N., R-12W. Sec. 32: All	NM-03454 8-1-48 H.B.P.	10.80300
	State Lands		
9	T-25N., R-12W. Sec. 16: All	E-6497-2 H.B.P.	6.91014
10	T-25N., R-12W. Sec. 36: SE¼ SW¼	B-11370-51 H.B.P.	0.37804

EXHIBIT C (Cont'd)

Page 2

Tract Number	Description	Navajo Allotted Contract No. and Date	Percentage Participation
	Indian Allotted Lands		
11	T-25N., R-12W. Sec. 31: SW¼	14-20-603-1202 H.B.P.	4.19364
12	T-25N., R-12W. Sec. 31: NE¼	14-20-603-1208 H.B.P.	4.61141
13	T-25N., R-12W. Sec. 31: SE¼ NW¼	14-20-603-1448 H.B.P.	0.84103
14	T-25N., R-12W. Sec. 31: NW¼	14-20-603-1423 H.B.P.	0.91658
15	T-25N., R-12W. Sec. 31: NE¼	14-20-603-1424 H.B.P.	2.18777
16	T-25N., R-12W. Sec. 31: SW¼ SW¼	14-20-603-1449 H.B.P.	3.00585
18	T-25N., R-12W. Sec. 1: SW¼	14-20-603-371 10-1-53 H.B.P.	3.41649 *
19	T-25N., R-12W. Sec. 1: SE¼	14-20-603-183 10-1-53 H.B.P.	4.16277
20	T-25N., R-12W. Sec. 2: SW¼	14-20-603-368 10-1-53 H.B.P.	1.97209
21	T-25N., R-12W. Sec. 2: SE¼	14-20-603-385 10-1-53 H.B.P.	4.09958
22	T-25N., R-12W. Sec. 2: NW¼	14-20-603-386 H.B.P.	4.74660
		Total	100.00000

* An assignment for Allowable Reassignment #1 Well, situated on Tract 18 was executed with the maximum production factor in computing "total tract oil production during base period" with respect to Tract 18 in contemplation of the use of said well as an injection well.

CERTIFICATE - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior under the Allotted Mineral Leasing Act of March 3, 1909, 35 Stat. 781, 25 U. S. C. Sec. 396 and the Tribal Land Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U. S. C. Secs. 396a, et seq., as to certain restricted and allotted Indian lands and delegated to the Commissioner of Indian Affairs by Departmental Order No. 2508 of January 11, 1950, 15 F. R. 250-260, and

Pursuant to the authority vested in the Secretary of the Interior as to Federal lands, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 6, 1947, 43 C. F. R. Secs. 4.611; 12 F. R. 6768, we do hereby:

A. Approve the attached agreement for the development and operation of the Central Bisti Lower Gallup Sand Unit Area, San Juan County, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, and royalty requirements of all Indian leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

D. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Area Director, Gallup Area Office
Bureau of Indian Affairs

Dated _____

Director, United States Geological Survey

Dated _____

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO,
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF THE
CENTRAL BISTI LOWER GALLUP SAND UNIT AREA, COUNTY OF
SAN JUAN, NEW MEXICO.

There has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Central Bisti Lower Gallup Sand Unit Area, San Juan County, New Mexico, dated _____, 1959, by and between Pan American Petroleum Corporation, Continental Oil Company, Southern Union Production Company, Inc., Stanolind Oil and Gas Company, Tidewater Oil Company, Sinclair Oil & Gas Company, Mid-Continent Oil Company of Delaware and Mobil Oil Company, as Unit Operators, and Pan American Petroleum Corporation, as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said agreement, the Commissioner finds:

(a) That such agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy in said field;

(b) That under the operations proposed, the state will receive its fair share of the recoverable oil or gas in place under its land in the area affected;

(c) That the agreement is in other respects for the best interests of the state;

(d) That the agreement provides for the unit operation of the field, for allocation of production and sharing of proceeds from the area covered by the agreement in accordance with a formula for participation as specified in the agreement, regardless of the particular tract from which production is obtained or proceeds are derived and for repressuring or secondary recovery operations.

NOW, THEREFORE, by virtue of the authority conferred upon me by virtue of the laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the state, do hereby consent to and approve the above referred to Central Bisti Lower Gallup Sand Unit Agreement as to the lands of the State of New Mexico committed hereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the Unit Area will be extended, in so far as is necessary, to coincide with the term of said Unit Agreement and in the event the term of said Unit Agreement shall be extended as provided therein, such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this _____ day of _____, 1959.

Commissioner of Public Lands of the
State of New Mexico

201

UNIT OPERATING AGREEMENT

FOR THE DEVELOPMENT AND OPERATION

OF THE

CENTRAL DIBI LOWER GALLUP SAND UNIT AREA

COUNTY OF SAN JUAN

STATE OF NEW MEXICO

TABLE OF CONTENTS

INDEX

PREAMBLE

AGREEMENT PROPER

ACCOUNTING PROCEDURE . . . . EXHIBIT "B"

SUNRAY MID-CONTINENT OIL COMPANY
EXHIBIT NO. 2 CASE NO. 1646

INDEX

Preamble

Section I. Confirmation of Unit Agreement
1.1 Unit Agreement Confirmed
1.2 Definitions

Section II. Management and Control
2.1 Over-All Supervision by Working Interest Owners
2.2 Particular Powers and Duties of Working Interest Owners
2.3 Approved Action Binding on All Parties
2.4 Reservation of Rights by Owners
2.5 Specific Rights of Owners
2.6 Unit Operator
2.7 Powers and Duties of Unit Operator

Section III. Exercise of Supervision by Working Interest Owners
3.1 Designation of Representatives
3.2 Meetings
3.3 Voting Procedure

Section IV. Basis of Participation
4.1 Participating Interests
4.2 Percentage Participations of Tracts
4.3 Apportionment of Costs and Benefits

Section V. Initial Adjustment of Investments
5.1 Equipment and Facilities Not Fixtures Attached to Realty
5.2 Personal Property Taken Over
5.3 Inventory and Evaluation of Personal Property
5.4 Investments Adjustment
5.5 General Facilities
5.6 Ownership of Personal Property and Facilities

Section VI. Investment Adjustment on Enlargement of the Participating Area
6.1 Adjustment on Enlargement of Participating Area
6.2 Separate Adjustment for Intangible Costs on Enlargement of Participating Area

Section VII. Development and Operating Costs
7.1 Basis of Charge to Working Interest Owners
7.2 Budgets
7.3 Advance Billings
7.4 Commingling of Funds
7.5 Lien of Unit Operator

Section VIII. Individual and Unit Operations
8.1 Right to Operate in Non-Unitized Formations
8.2 Dual Completions
8.3 Accurate Gauge of Tanks
8.4 Drilling Within Participating Area
8.5 Wells Outside of Participating Area
8.6 Extension Wells by Lease Owner
8.7 Paying Wells - Dry Holes - Marginal Wells
8.8 Required Wells
8.9 Charges for Drilling Wells
8.10 Abandonment of Wells

Section IX. Use and Sale of Unitized Substances
9.1 Use of Unitized Substances for Unit Operations
9.2 Unitized Substances Shall Be Taken in Kind
9.3 Delivery in Kind to Royalty Owners

Section X. Rentals and Compensatory Royalties
10.1 Rentals
10.2 Compensatory Royalties

Section XI. Titles
11.1 Warranty and Indemnity
11.2 Failure Because of Unit Operations

Section XII. Liability, Claims and Suits
12.1 Individual Liability
12.2 Settlements

Section XIII. Withdrawal of Working Interest Owner
13.1 Withdrawal

Section XIV. Miscellaneous
14.1 Ad Valorem Taxes
14.2 Insurance
14.3 Internal Revenue Provision
14.4 Force Majeure
14.5 Notices

Section XV. Effective Date and Term
15.1 Date as Unit Agreement
15.2 Execution

Section XVI. Abandonment of Operations
16.1 Termination

Section XVII. Counterpart Execution
17.1 Execution by Separate Counterparts or Ratifications

Section XVIII. Successors and Assigns
18.1 Successors and Assigns

REF/GL

UNIT OPERATING AGREEMENT

FOR THE DEVELOPMENT AND OPERATION

OF THE

CENTRAL DIBI LOWER GALLUP SAND UNIT AREA

COUNTY OF SAN JUAN

STATE OF NEW MEXICO

THIS AGREEMENT, Made and entered into as of the _____ day of _____, 19___, by and between the parties who execute or ratify this agreement,

WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed as of the date hereof that certain Unit Agreement for the development and operation of the Central Dibi Lower Gallup Sand Unit Area, hereinafter referred to as "Unit Agreement" and which, among other things, provides for a separate agreement to be made and entered into by and between Working Interest Owners pertaining to the development and operation of the Unit Area therein defined.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

SECTION I

CONFIRMATION OF UNIT AGREEMENT

1.1 UNIT AGREEMENT CONFIRMED. The aforesaid Unit Agreement and all exhibits attached thereto are hereby confirmed and made a part of this agreement and all terms used in this agreement shall have the same meaning as indicated in the Unit Agreement unless otherwise defined herein or clearly indicated by the context. Also, all land committed to the Unit Agreement shall constitute land referred to herein as "Unitized Lands" or "lands subject to this agreement".

1.2 DEFINITIONS. A "working interest" is an interest committed hereto which is obligated to bear or share, either in cash or out of production (other than by penalty), the cost of Unitized Substances for development, production, pressure maintenance, or secondary recovery purposes), a portion of all costs and expenses of drilling, developing, producing and operating the Unitized lands under this agreement and the Unit Agreement; and a "Working Interest Owner" is the owner of a working interest. A Working Interest Owner is sometimes referred to herein simply as an "owner" or a "party hereto". A "Royalty Owner" is any party hereto who owns a right to or interest in any portion of the unitized substances or proceeds thereof other than a "Working Interest Owner". "Unitized Substances" shall mean all oil and gas (which includes gaseous substances, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons) within or produced from the Dibi Lower Gallup Sand in the lands subject to this agreement.

SECTION II

MANAGEMENT AND CONTROL

2.1 OVER-ALL SUPERVISION BY WORKING INTEREST OWNERS. Working Interest Owners shall exercise over-all supervision and control of all matters pertaining to the development and operation of the Unitized lands pursuant to this agreement and the Unit Agreement. In the exercise of such power each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

2.2 PARTICULAR POWERS AND DUTIES OF WORKING INTEREST OWNERS. The matters to be passed upon and decided by Working Interest Owners in accordance with Section III hereof shall include, but not be limited to, the following:

(a) The kind, character and method of operation, including any type of pressure maintenance or secondary recovery program to be employed;

(b) Except where otherwise provided herein or in the Unit Agreement, the drilling of any well within the Unit Area either for production of Unitized Substances, for use as an injection well or for other purposes;

(c) The re-completion, abandonment, or change of status of any well in the Unit Area or use of any such well for injection or other purposes;

(d) The making of an expenditure of more than $15,000 exclusive of expenditures for drilling wells and all expenditures expressly authorized as part of some other expenditure; however, whether the expenditure involved is more or less than $15,000 prior approval of the Working Interest Owners must be secured for the following: The re-completion, or change of status of any well to the Participating Area or use of any such well for injection or other purposes; provided that in case of blowout, explosion, fire, flood or other sudden emergency, Unit Operator may take steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life or property, but that Unit Operator shall, as promptly as possible, report the emergency to the owners;

(e) The adoption or admission of any operating and development plan to the Supervisor, Commissioner and the Commission or any regulatory body;

(f) The taking over of wells, property, and equipment as provided for in Section V hereof;

(g) The designating of a representative to appear before any court or regulatory body in matters pertaining to unit operations; provided, however, that the authorization by Working Interest Owners of the designation of any such representative shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf;

(h) The making of proper audits of the accounts of Unit Operator pertaining to operations hereunder; provided that such audits shall

(1) Not be conducted more than once each year nor upon the resignation or removal of Unit Operator; and shall

(2) Be made at the expense of all Working Interest Owners other than the Working Interest Owner designated as Unit Operator; and

(3) Be upon not less than thirty (30) days written notice to Unit Operator;

(i) The employment, selection or discharge of any Working Interest Owner or Royalty Owner in the agreement or in the Unit Agreement as provided for in the Unit Agreement, and the determination and revision of the percentage participation to be assigned to any tract committed to this agreement and the Unit Agreement after the effective date thereof, as provided in the Unit Agreement;

(j) The preparation of any revision of Exhibit "B" to the Unit Agreement;

(k) The taking of periodic inventory under the terms of Exhibit "B" hereof;

(l) Any direct charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit "B" hereof;

(m) The appointment or designation of the purposes of committees or sub-committees necessary for the study of any problem in connection with unit operations;

(n) The removal of Unit Operator and the selection of a successor;

(o) The enlargement or contraction of the Unit Area and the enlargement of the Participating Area;

(p) The adjustment and readjustment of investments;

(q) Any variation or amendment of the overhead rates or any other provision in the "Accounting Procedure", attached hereto as Exhibit "B";

(r) Selling or otherwise disposing of any major item of surplus equipment, the current list price of any equipment similar thereto being $1500 or more;

(s) The termination of the Unit Agreement.

2.3 APPROVED ACTION BINDING ON ALL PARTIES. Any action, determination or decision which has been approved by the Working Interest Owners pursuant to Section III shall be binding upon each and every Working Interest Owner, even though any such owner has not voted, or has voted to the contrary.

2.4 RESERVATION OF RIGHTS BY OWNERS. Working Interest Owners severally reserve to themselves all their rights, power and privileges except as expressly granted in this agreement and the Unit Agreement.

2.5 SPECIFIC RIGHTS OF OWNERS. Each Working Interest Owner shall have, among others, the following specific rights and privileges:

(a) Access to the Unit Area at all reasonable times to inspect the operations hereunder and all wells and records and data pertaining thereto;

(b) The right to receive from the Unit Operator upon written request copies of all reports to any Governmental Agency, reports of costs and items and stocks, inventory reports and all other data pertaining to unit operations. The cost of gathering and furnishing data not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged solely to Working Interest Owners requesting the same.

2.6 UNIT OPERATOR. SUNRAY MID-CONTINENT OIL COMPANY is hereby designated as the Initial Unit Operator. Subject to the provisions of this agreement, and to the orders, directions and limitations rightfully given or imposed by Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to develop and operate the Unitized lands for the production of Unitized Substances.

2.7 POWERS AND DUTIES OF UNIT OPERATOR. To the extent necessary or convenient for the conduct of operations hereunder, and subject to the limitations herein contained, Working Interest Owners hereby delegate to Unit Operator all rights, powers and privileges granted to or conferred upon them by virtue of any contract or lease covering any land in the Unit Area or by virtue of the Unit Agreement. Unit Operator shall in the conduct of operations hereunder:

(a) Conduct all operations in a good and workmanlike manner and, in the absence of specific instructions from Working Interest Owners, shall have the right and duty to conduct such operations in the same manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them advised of all matters arising in connection with such operations which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages unless such damages result from the gross negligence or wilful misconduct of Unit Operator.

(b) Keep the lands and leases in the Unit Area free from all liens and encumbrances occasioned by its operations hereunder, except for liens of Unit Operator granted hereunder.

(c) Determine the number of employees used by Unit Operator in conducting operations hereunder, the selection of such employees, the hours of labor and the compensation for services to be paid any and all such employees. Such employees shall be the employees of Unit Operator.

(d) Keep true and correct books, accounts and records of its operations hereunder.

(e) Furnish to each Working Interest Owner periodic reports of the development and operation of the Unit Area.

(f) Make all reports to Governmental Authorities that it has the duty to make as Unit Operator.

(g) Furnish to each Working Interest Owner, upon written request, a copy of the log of and copies of engineering and geological data pertaining to wells drilled by Unit Operator.

(h) Settle any single damage claim not involving an expenditure in an sum of Two Thousand ($2,000.00) Dollars provided such payment is a complete settlement of such claim.

(i) Take such steps and incur such expenses as are required in case of an emergency as provided in subsection 2.2 (d) hereof.

less than fourteen (14) days advance written or telegraphic notice, with agenda for the meeting so listed. The Working Interest Owners attending such meeting shall not be prevented from acting on any matter not listed in the agenda or from limiting such matter to any limiting extent those presented at such meeting. The representative of the Unit Operator shall be Chairman of each meeting.

3.3 VOTING PROCEDURE. The Working Interest Owners shall act upon and determine all matters respecting their interest as follows:

(a) In acting on any matter on a Working Interest Owner shall have a voting interest equal to the Participating Interest, determined in accordance with Section IV of this agreement.

(b) Except as otherwise specifically provided, the consent and approval of the Working Interest Owners owning Participating Interests aggregating not less than Eighty (80%) per cent of Participating Interest shall be required for the drilling of any well not provided for in the plan of operations approved by the Working Interest Owners, or for any expenditure in excess of $15,000.00 not provided for in such approved plan, or for the expansion of the Unit Area or for the contraction of the Unit Area to exclude lands not then within the Participating Area, or for the abandonment of any well drilled on the Unit Area, or for the abandonment of operations hereunder, or for any change in the participation basis or percentage, or for any change in the Unit Agreement or this agreement, or for the termination of the Unit Agreement or this agreement, or for any action which would result in a Working Interest Owner having a total participating interest of less than Ten (10%) per cent. No meeting shall be called on less than Ten (10) days advance notice, except in an emergency, and no matter not listed on the agenda may be acted upon at any meeting unless all Working Interest Owners are present and consent thereto. Any matter voted upon at a meeting may be changed or altered at any subsequent meeting by the same majority vote required to effect the original action.

(c) Any Working Interest Owner not represented at a meeting may vote on any item included in the agenda of the meeting by letter or telegram addressed to the Chairman of such meeting provided such vote is received prior to the adjournment of such item is voted. No proxy shall not be counted with respect to any item on the agenda which is amended at the meeting.

(d) Working Interest Owners may decide any matter by vote taken by letter or telegram, provided no meeting on the matter is called as provided in Subsection 3.2 within 7 days after such proposal is dispatched to the Working Interest Owners. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

SECTION IV

BASIS OF PARTICIPATION

4.1 PARTICIPATING INTERESTS. The "Participating Interest" of each Working Interest Owner hereunder is equal to the sum total of the percentage participations assigned to tracts in the Participating Area in which such Working Interest Owner owns an interest; provided that if the working interests in any such tract are owned in undivided interests by two or more Working Interest Owners, the percentage participation assigned to such tract shall be divided among such owners in proportion to their undivided interests; and, provided further that, if the working interests in any tract are divided with respect to separate parcels of such tract and owned severally by different parties, the percentage participation assigned to such tract shall, in the absence of a recordable instrument among all such parties fixing the division of ownership, be divided among such parcels in proportion to the number of surface acres in each.

4.2 PERCENTAGE PARTICIPATIONS OF TRACTS. The percentage participation assigned to each tract in the Initial Participating Area is set forth in Exhibit "B" of the Unit Agreement subject to revision in the event less than all tracts within the Initial Participating Area are committed to this agreement and to the Unit Agreement, all in accordance with the provisions of Section II of the Unit Agreement, the percentage participation shall also be revised in the event the Participating Area is revised as provided in Section II of the Unit Agreement and in accordance with the formula and procedures set forth in Section 10 of the Unit Agreement. Said percentage participations as fixed and determined pursuant to the Unit Agreement shall govern the Participating Interests of the Working Interest Owners hereunder.

'202

4.3 APPORTIONMENT OF COSTS AND BENEFITS. Except as herein otherwise expressly provided, all costs, expenses and liabilities accruing or resulting from exploration, development, operation and maintenance of the Unitized lands shall be borne by the Working Interest Owners in proportion to their respective Participating Interests at the time such costs, expenses and liabilities are incurred and all Unitized Substances produced hereunder and other benefits accruing hereunder shall be owned and shared by the Working Interest Owners in proportion to their respective Participating Interests at the time such production is obtained and benefits accrue.

SECTION V

INITIAL ADJUSTMENT OF INVESTMENTS

5.1 EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each of the parties hereto has heretofore placed and used on its tract or tracts committed to the Unit Agreement and this agreement, various well and lease equipment and other property, equipment, and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized lands as now or hereafter constituted. Each of the parties hereto considers any and all such equipment to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by said agreements, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes. The provisions of this Section V and also the provisions of Section VI constitute a separate agreement and understanding with respect to any and all lease and operating equipment or other personal property heretofore or hereafter placed in or on the land in the Unit Area and to the extent necessary to accomplish such separate agreement, such lease and operating equipment is taken over separate and apart from the unitization of the working interests and production effected by the Unit Agreement and this agreement.

5.2 PERSONAL PROPERTY TAKEN OVER. Upon the effective date hereof, Working Interest Owners shall deliver to Unit Operator possession of:

(a) All wells completed in the Bisti Lower Gallup Sand Formation (sometimes called "Unitized Formation") together with the casing therein;

(b) The tubing in each such well, together with the wellhead connections thereon, and all other lease and operating equipment used in the operation of such wells which Working Interest Owners determine is necessary or desirable for conducting unit operations; and

(c) A copy of all production and well records pertaining to such wells.

5.3 INVENTORY AND EVALUATION OF PERSONAL PROPERTY. Working Interest Owners shall, at unit expense, inventory and evaluate in accordance with the provisions of Exhibit "D" the personal property so taken over. Such inventory shall be limited to controllable material (except casing) as defined by the "Material Classification Manual", 1953 Print, prepared by the Petroleum Accountants Society of Oklahoma. The material and equipment inventoried shall be valued on the price basis prescribed for material in Paragraph 2 of Article III of Accounting Procedure attached hereto as Exhibit "D", the applicable conditions to be indicated on the inventory; provided, however, that material and equipment not classified to be in condition A, B, or C as specified in Paragraph 2 of Article III of Exhibit "D" shall not be taken over by Unit Operator except by special agreement with the owners of said equipment as authorized by the Working Interest Owners.

5.4 INVESTMENT ADJUSTMENT. Upon approval by Working Interest Owners of such inventory and evaluation, each Working Interest Owner shall be credited with the value of its interest in all personal property (exclusive of the casing in wells) so taken over by Unit Operator under Subsection 5.2(b), and charged with an amount equal to that obtained by multiplying the total value of all such personal property so taken over by Unit Operator under Subsection 5.2(b) by such Working Interest Owner's Participating Interest as determined in accordance with Section IV hereof. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of unit expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is

greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

5.5 GENERAL FACILITIES. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems and office buildings necessary for operations hereunder shall be by negotiation by and between the owners thereof and Unit Operator, subject to the approval of Working Interest Owners. There shall be no adjustment for lease roads or appurtenances thereto.

5.6 OWNERSHIP OF PERSONAL PROPERTY AND FACILITIES. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement equal to its Participating Interests. Personal property and facilities not taken over by Unit Operator shall be reclaimed by the original owner thereof and shall be removed from the Unit Area within ninety (90) days after the owners of such property are advised in writing that the property shall not be retained by Unit Operator for operations hereunder, unless said property and facilities not retained are necessary for use by the owners thereof in the operation or development of horizons not unitized under the Unit Agreement and this agreement.

SECTION VI

INVESTMENT ADJUSTMENT ON ENLARGEMENT OF PARTICIPATING AREA

6.1 ADJUSTMENT ON ENLARGEMENT OF PARTICIPATING AREA. On enlargement of the Participating Area as provided in the Unit Agreement, there shall be investment adjustments between the Working Interest Owners in the enlarged Participating Area who are parties hereto and the Working Interest Owners in the former Participating Area who are parties hereto to the end that costs and investments within the enlarged Participating Area shall be paid for by the Working Interest Owners in the enlarged Participating Area in proportion to

their respective Participating Interests in the enlarged Participating Area, and also to the end that the parties who have previously paid said costs shall be reimbursed, all in the manner as set forth in Section V hereof pertaining to the initial adjustment of investments, except that a separate adjustment for intangibles shall also be made as provided in Subsection 6.2 hereof.

6.2 SEPARATE ADJUSTMENT FOR INTANGIBLE COSTS ON ENLARGEMENT OF PARTICIPATING AREA. The Working Interest Owners in the Participating Area before its enlargement shall receive credit for the intangible cost of drilling, completing and equipping all wells drilled subsequent to the effective date hereof which are capable of producing Unitized Substances within the said enlarged Participating Area or which are utilized or to be utilized as injection wells or for other purposes within the enlarged Participating Area including all intangible costs incurred subsequent to the effective date of this agreement incident to recompleting and converting wells to injection wells and intangible costs incident to the construction of pressure maintenance and other facilities necessary to the operation of the Unitized land. No credit shall be given for intangibles in the area to be admitted to the enlarged Participating Area and no credit shall be given for the previous cost of operating any wells or for the intangible cost of repairing or maintaining other property, nor shall there be any debit for and on account of production taken from wells prior to the effective date of the enlargement of the Participating Area. The sum total of said credit shall be apportioned to the enlarged Participating Area, and a separate cash adjustment of intangibles shall be made among Working Interest Owners through the Unit Operator to the end that the costs of said intangibles shall be paid by the Working Interest Owners in the enlarged Participating Area in proportion to their Participating Interests.

SECTION VII

DEVELOPMENT AND OPERATING COSTS

7.1 BASIS OF CHARGE TO WORKING INTEREST OWNERS. Unit Operator initially shall pay and discharge all costs and expenses incurred in the development and operation of the Unit Area. Working Interest Owners shall reimburse Unit Operator for all such costs and expenses in proportion to their respective Participating Interests computed in accordance with Section IV hereof. All charges, credits, and accounting for costs and expenses shall be in accordance with Exhibit "D" hereof. The term "Operator" as used in Exhibit "D" shall be deemed to refer to the Unit Operator, and the term "Non-Operators" as used in Exhibit "D" shall be deemed to refer to the Working Interest Owners other than Unit Operator.

7.2 BUDGETS. Before or as soon as practical after the effective date hereof, Unit Operator shall prepare a budget of estimated costs and expenses for the remainder of the calendar year and on or before the first day of each October thereafter shall prepare a budget of estimated costs and expenses for the ensuing calendar year. Such budgets shall set forth the estimated costs and expenses by quarterly periods. Unless otherwise specified in the budget, it shall be presumed for the purpose of advance billings that the estimated costs and expenses for each month of a quarterly period shall be one-third (1/3) of the estimate for the quarterly period. Budgets so prepared shall be estimates only and shall be subject to adjustment and correction by Working Interest Owners and Unit Operator from time to time whenever it shall appear that an adjustment or correction is proper. A copy of each budget and adjusted budget shall be promptly furnished each Working Interest Owner.

7.3 ADVANCE BILLINGS. Unit Operator shall have the right at its option to require Working Interest Owners to advance their respective proportions of such costs and expenses by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate of such costs and expenses for the succeeding month with a request for payment in advance. Within fifteen (15) days thereafter, each Working Interest Owner shall pay to Unit Operator its

proportionate part of such estimate. Adjustment between estimates and the actual costs shall be made by Unit Operator at the close of each calendar month, and the accounts of the Working Interest Owners shall be adjusted accordingly.

7.4 COMMINGLING OF FUNDS. No funds received by Unit Operator under this agreement need be segregated by Unit Operator or maintained by it as a joint fund, but may be commingled with its own funds.

7.5 LIEN OF UNIT OPERATOR. Each Working Interest Owner grants to Unit Operator a lien upon such Working Interest Owner's leasehold and other mineral interests in each tract, its interest in all jointly owned materials, equipment, and other property and its interest in all Unitized Substances, as security for payment for the costs and expenses chargeable to it, together with interest thereon at the rate of Six (6%) per cent per annum. Unit Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by any Working Interest Owner in the payment of costs and expenses chargeable to it, Unit Operator shall have the right to collect and receive from the purchaser or purchasers the proceeds of such Working Interest Owner's share of Unitized Substances up to the amount owing by such Working Interest Owner plus interest, as aforesaid, until paid. Each such purchaser shall be entitled to rely upon Unit Operator's statement concerning the existence and amount of any such default.

SECTION VIII

INDIVIDUAL AND UNIT OPERATIONS

8.1 RIGHT TO OPERATE IN NON-UNITIZED FORMATIONS. Any Working Interest Owner now having, or hereafter acquiring, the right to drill for and produce oil, gas, or other minerals, other than Unitized Substances, within the Unit Area shall have the full right to do so notwithstanding this agreement. In exercising said right, however, such Working Interest Owner shall exercise every reasonable precaution to prevent unreasonable interference with operations hereunder. If any Working Interest Owner drills any well into or through the

Unitized Formation, the Unitized Formation shall be cased or otherwise protected in such a manner that the Unitized Formation and the production of Unitized Substances shall not be adversely affected.

8.2 DUAL COMPLETIONS. Except for those wells taken over by the Unit which are dually completed on the effective date of this agreement, no other Unit wells may subsequently be dually completed unless and until the approval of the Working Interest Owners is obtained and such completion is made in accordance with the methods prescribed by the Working Interest Owners. Dually completed wells will be handled as follows:

(a) A lessee who contributes a well producing from more than one zone shall be obligated to segregate such zones prior to the well being taken over by the Unit in a manner satisfactory to the Working Interest Owners, the cost of such work to be borne by the lessee contributing such well. If such zones are not segregated prior to the effective date then such work shall be done by the Unit Operator as directed by the Working Interest Owners at the expense of the lessee contributing such well.

(b) Any lessee who wishes to recondition, redrill or workover any dual well taken over by the Unit under this agreement for the production of oil or gas from any formation other than the Lower Gallup Sand, shall submit its plan to the Working Interest Owners for approval, and upon such approval said work shall be performed under the supervision of the Unit Operator at lessee's own risk, cost and expense. The productive capacity or injectivity of the Lower Gallup Sand in any such well prior to such reconditioning, redrilling or reworking shall be ascertained by the Unit Operator prior to the commencement of such work, and the respective lessee so advised in writing. Said lessee shall use all reasonable, practicable and customary methods in order to so restore the productivity or injectivity of the Unitized Lower Gallup Sand to the satisfaction of the Working Interest Owners, including the drilling of a replacement well if the hole is lost.

(c) Should the Unit Operator at the direction of the Working Interest Owners do remedial work on the Lower Gallup Sand in any dually completed well, and the cost of such work, in the opinion of the Working Interest Owners, is in excess of what it would have been had the formation other than the Lower Gallup not been producing in such well, the additional cost of such work shall be chargeable to the lessee owning such other zone or formation in such well and such lessee shall be liable for such additional cost upon notification of the amount thereof by the Unit Operator. The words "Additional Cost" as used above shall mean the difference between the normal charges incurred in working over, reconditioning or redrilling a dually completed well and the normal charges for doing the same work on a well which is not dually completed.

(d) When and if the Working Interest Owners determine that the operation of a well that has been dually completed is interfering with the efficiency of the Unit Plan of Operation, Unit Operator shall advise the lessee operating such zone or formation other than the Lower Gallup Sand that such formation must be shut off or reworked by lessee under the direction of the Unit Operator and to the satisfaction of the Working Interest Owners. The work shall be done at the sole risk, cost and expense of said lessee. If said lessee shall fail or refuse to perform said work as directed by Unit Operator, then said work shall be performed by Unit Operator at the sole risk, cost and expense of said lessee. Said lessee and Unit Operator may agree upon the amount of such costs, but if they fail to agree, then the work shall be done on a competitive basis.

8.3 ADEQUATE GAUGE OF TANKS. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed; and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such tract as having been delivered to the persons entitled to Unitized Substances allocated to such tract.

8.4 DRILLING WITHIN PARTICIPATING AREA. All wells drilled after the effective date of this agreement within the boundaries of the Participating Area in the Bisti Lower Gallup Sand including injection wells, reworking operations, and recompleting wells and converting wells to injection wells, shall be drilled by Unit Operator for the joint account, at joint risk and expense, and upon authorization of the Working Interest Owners pursuant to Section III.

8.5 WELLS OUTSIDE OF PARTICIPATING AREA. The Unit Operator may drill any well within the Unit Area but outside the boundaries of an established Participating Area with the object of completing the same in the Bisti Lower Gallup Sand, which well is herein referred to as an "extension well", for the joint account and at joint risk and expense, upon authorization of the Working Interest Owners obtained pursuant to Section III. Such "extension wells" may also be drilled as provided by Subsection 8.6.

8.6 EXTENSION WELLS BY LEASE OWNER. In addition to the method provided in Subsection 8.5 hereof, "extension wells" may be drilled by a single party on his or its own lease as provided in Section 13 of the Unit Agreement, unless the Working Interest Owners within the Participating Area elect to drill the same as provided in Subsection 8.5 hereof. In the event there is more than one party having an interest in the lease on which the well is desired to be drilled, the same may be drilled on the authority of the majority in interest of the parties in and to said tract. Such wells may be drilled by the Unit Operator for the account of the parties financing same. If any party or parties hereto elect to drill a well or wells in accordance with the provisions of Section 13 of the Unit Agreement, the basis of contribution to the cost thereof and the final adjustment or disposition of such costs shall be by separate agreement between the parties financing said well.

8.7 PAYING WELLS - DRY HOLES - MARGINAL WELLS. In the event any well drilled under the provisions of this Section VIII encounters production in quantities sufficient to justify the same being included in the Participating Area, there shall be an investment adjustment between the owners of the working

interests affected in accordance with the provisions of Section VI hereof. In the event any such well is a dry hole, it shall be plugged and abandoned at the sole risk, cost and expense of the parties responsible for the drilling of the well. If any such well obtains production in insufficient quantities to justify the inclusion of the lands on which the well is located in the Participating Area, the same shall be operated for the account of and the production shall be owned by the parties who participated in the cost of drilling the well in accordance with Section 13 of the Unit Agreement.

8.8 REQUIRED WELLS. In the event the Operator is required to drill an extension well upon any regular well spacing unit outside of the boundaries of the Participating Area or any development well within the Participating Area by Government order (including any Federal or State agency), or demand, whether such order or demand is initiated by the Government independent of consideration of any plan of development, or is issued as a required authorization of a plan of development, the cost of drilling and completing said well if a producer, and of plugging and abandoning the well, if a dry hole, shall be borne by all of the Working Interest Owners in said Participating Area in proportion to their interests therein, except as otherwise may be provided by separate agreement.

Notwithstanding anything in this Subsection 8.8 to the contrary, in the event the Working Interest Owners do not elect, pursuant to Section III, to drill said required well, same shall not be drilled if either of the following alternatives is available:

(a) If compensatory royalties may be paid in lieu of drilling the well and payment of same receives approval of the Working Interest Owners pursuant to Section III, Unit Operator shall pay such compensatory royalty for the joint account of the Working Interest Owners who would be chargeable with costs incurred in drilling the well; or

(b) If the drilling of the well may be avoided without penalty by contraction of the Unit Area, Unit Operator shall make reasonable effort to effect such contraction with the approval of the Director, Commissioner and the Commission.

8.9 CHARGES FOR DRILLING WELLS. All wells drilled for the joint account shall be drilled at rates comparable to competitive contract rates by properly qualified contractors; provided, however, Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of wells but, in such event, the charge therefor shall not exceed the prevailing rate in the area and such work shall be performed by Unit 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.

8.10 ABANDONMENT OF WELLS. If Working Interest Owners decide to permanently abandon any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice of such fact to the Working Interest Owners of the tract on which such well is located and said Working Interest Owners shall have the right and option for a period of Ninety (90) days after receipt of such notice to notify Unit Operator of their election to take over and own said well and to deepen or to plug back said well to a formation other than to the Unitized Formation. Within Thirty (30) days after said Working Interest Owners have so notified Unit Operator of their desire to take over such well and the salvage value has been determined, they shall pay to Unit Operator, for credit to the joint account of the Working Interest Owners, the amount as estimated and fixed by Working Interest Owners to be the net salvage value of the casing and equipment in and on said well. At the same time the Working Interest Owners taking over the well shall agree by letter addressed to Unit Operator to effectively seal off and protect the Unitized Formation, and at such time as the well is ready for abandonment to plug and abandon the well in a workmanlike manner in accordance with applicable laws. In the event the Working Interest Owners of a tract do not elect to take over a well located thereon which is proposed for abandonment, Unit Operator shall plug and abandon the well in accordance with applicable laws.

SECTION IX

USE AND SALE OF UNITIZED SUBSTANCES

9.1 USE OF UNITIZED SUBSTANCES FOR UNIT OPERATIONS. Unit Operator shall have the right to use any one or more Unitized Substances produced from the Unitized lands for all drilling operations; for pumping, transporting, handling and treating Unitized Substances; for injection, pressure maintenance and secondary recovery programs as may be authorized and approved by the Working Interest Owners; for fuel in camps and houses of employees serving the Unitized lands, and for all other operations hereunder.

9.2 UNITIZED SUBSTANCES SHALL BE TAKEN IN KIND. Each Working Interest Owner shall take in kind its share of each Unitized Substance excluding the Unitized Substances used by Unit Operator under Subsection 9.1 hereof or unavoidably lost. In the event any party hereto shall fail to take in kind or to separately dispose of its share of Unitized Substances, then and if produced, Unit Operator (or any Working Interest Owner if Unit Operator fails to exercise the right) shall have the right to sell or itself purchase the same on a day to day basis at the market price in the area, if obtainable; otherwise, at the best price obtainable. Any cost incurred by Unit Operator in making any such sale shall be borne by the party whose share is sold. Any such sale or purchase by Unit Operator or any Working Interest Owner, as the case may be, shall be subject always to the right of the owner of such Unitized Substances to exercise at any time the right to take in kind or to separately dispose of its share of production not previously delivered to a purchaser pursuant hereto.

9.3 DELIVERY IN KIND TO ROYALTY OWNERS. Unit Operator is hereby authorized to deliver in kind to Royalty Owners the amounts of the Unitized Substances to which they are entitled under the provisions of Sections 11 and 12 of the Unit Agreement and to deduct such amounts from the share of each Working Interest Owner responsible therefor. Settlement for royalty interest not taken in kind shall be made by the Working Interest Owners in each tract responsible therefor under existing contracts, laws, and regulations on the

203

basis of the amounts of Unitized Substances allocated to such tract. If any of said tracts are burdened with overriding royalties, payments out of production or any other charges in addition to the usual royalty, the Working Interest Owners committing such tract shall bear and assume the same out of Unitized Substances allocated thereto.

SECTION X

RENTALS AND COMPENSATORY ROYALTIES

10.1 RENTALS. The Working Interest Owners in each tract shall pay all rentals, minimum royalties, advance rentals or delay rentals due under the lease thereon and shall concurrently submit to the Unit Operator the evidence of payment. If the Working Interest Owners in any tract determine not to pay any such rental, they shall notify Unit Operator at least sixty (60) days before the due date and they shall thereupon assign to all other Working Interest Owners in the Unit Area proportionable to their interest on a surface acreage basis all of their right, title and interest under said lease; provided, however, all such assignments shall be subject to all obligations with respect to reassignments, if any, of the parties making such assignments theretofore created in favor of parties who are not parties to this agreement. In the event of failure of any Working Interest Owner to make proper payment of any delay rental through mistake or oversight where such rental is required to continue the lease in force, there shall be no money liability on the part of the party failing to pay such rental, but such party shall make a bona fide effort to secure a new lease covering the same interest and commit such lease to the Unit Agreement and, in the event of failure to secure the new lease within a reasonable time, the interest of the parties hereto shall be revised, if required, so that the party failing to pay any such rental shall not be credited with the ownership of any lease on which rental was required but was not paid. The Unit Operator shall incur no liability for failure to pay any rental due under the terms of any lease committed to said Unit Agreement; however, in the event any rentals are paid by Unit Operator, the same shall be charged and billed to the party responsible for payment of same. In the

event of loss of title to a lease for failure to pay rental, all losses occasioned thereby shall be that of the Working Interest Owners who should have paid the same.

10.2 COMPENSATORY ROYALTIES. Where the Working Interest Owners determine to pay compensatory royalty in lieu of drilling a demanded well such compensatory royalties shall be paid by Unit Operator and charged to the joint account.

SECTION XI

TITLES

11.1 WARRANTY AND INDEMNITY. Each Working Interest Owner represents and warrants that it is the owner of the respective working interests set forth opposite its name in Exhibit "B" of the Unit Agreement and hereby indemnifies and holds the other Working Interest Owners harmless from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of operations hereunder; provided, however, that such indemnity shall be limited to an amount equal to the net value that had been received from the sale of Unitized Substances attributed hereunder to the interest as to which title failed. Each failure of title will be effective, insofar as this agreement is concerned, as of the first day of the calendar month in which such failure is finally determined and there shall be no retroactive adjustment of development and operating expenses, Unitized Substances or the proceeds therefrom as a result of title failure.

11.2 FAILURE BECAUSE OF UNIT OPERATIONS. The failure of title to any working interest in any tract by reason of unit operations, including non-production from such tract, shall constitute a joint loss.

SECTION XII

LIABILITY, CLAIMS AND SUITS

12.1 INDIVIDUAL LIABILITY. The duties, obligations and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing contained herein shall ever be construed as creating a partnership of any kind, joint venture, or an association or trust between or among the Working Interest Owners.

12.2 SETTLEMENTS. In the event claim is made against any Working Interest Owner or any Working Interest Owner is sued on account of any matter or thing arising from the development and operation of the Unit Area and over which such Working Interest Owner individually has no control because of the rights, powers, and duties granted by this agreement and the Unit Agreement, said Working Interest Owner shall immediately notify the Unit Operator of such claim or suit. Working Interest Owners shall assume and take over the further handling of such claim or suit and all costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be borne by Working Interest Owners as any other cost or expense of operating the Unitized lands.

SECTION XIII

WITHDRAWAL OF WORKING INTEREST OWNER

13.1 WITHDRAWAL. If any Working Interest Owner so desires, it may withdraw from this agreement by conveying, assigning, and transferring without warranty of title, either express or implied, to the other Working Interest Owners who do not desire to withdraw herefrom, all of the former's rights, title and interest in and to its lease or leases, or other operating rights in the Unit Area in so far as said lease, leases or rights pertain to the Unitized Formation, together with the withdrawing Working Interest Owner's interest in all wells, pipe lines, casing, injection equipment, facilities and other personal property used in conjunction with the development and operation of the Unit Area; provided, however, that such transfer, assignment or conveyance shall not relieve said Working Interest Owner from any obligation or liability incurred prior to the date of the execution and delivery thereof. The interest so transferred, assigned and conveyed shall be taken and owned by the other Working Interest Owners in proportion to their respective Participating Interest. After the execution and delivery of such transfer, assignment or conveyance, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability hereunder and under said Unit Agreement;

and the right of such Working Interest Owner to any benefits subsequently accruing hereunder and under said Unit Agreement shall cease; provided, that upon delivery of said transfer, assignment or conveyance, the assignees, in the ratio of the respective interests so acquired, shall pay to the assignor for its interest in all jointly owned equipment, casing, and other personal property the fair net salvage value thereof, as estimated and fixed by Working Interest Owners.

SECTION XIV

MISCELLANEOUS

14.1 AD VALOREM TAXES. Unit Operator shall make and file for ad valorem tax purposes all necessary renditions and returns with the proper taxing authorities or Governmental subdivisions covering all real and personal property of each Working Interest Owner within the Unit Area and used in connection with the development and operation of the Unit Area. Any Working Interest Owner dissatisfied with any proposed rendition or assessment of its interest in real or personal property shall have the right, at its own expense, to protest and resist the same. All such ad valorem taxes due and payable on account of real and personal property of each Working Interest Owner located within the Unit Area and used in connection with unit operations shall be paid by Unit Operator for the joint account in the same manner as other costs and expenses of unit operations.

14.2 INSURANCE. As to all operations hereunder, Unit Operator shall carry for the benefit and protection of the parties hereto the following insurance:

(a) Workmen's Compensation Insurance sufficient to comply with the Workmen's Compensation Law for the State of New Mexico;

(b) Employer's Liability Insurance with limits of not less than Twenty-five Thousand ($25,000.00) Dollars per person;

(c) Comprehensive General Liability Insurance with bodily injury limits of not less than Two Hundred Fifty Thousand ($250,000.00) Dollars per person and Five Hundred Thousand ($500,000.00) Dollars per accident and Property Damage Coverage with limits of not less than Fifty Thousand Dollars ($50,000.00) per accident, and Two Hundred Fifty Thousand ($250,000.00) Dollars aggregate;

(d) Comprehensive Automobile Liability Insurance with bodily injury limits of not less than Two Hundred Fifty Thousand ($250,000.00) Dollars per person and Five Hundred Thousand ($500,000.00) Dollars per accident and Property Damage Coverage with limits of not less than Fifty Thousand ($50,000.00) Dollars per accident. Where Unit Operator charges for its exclusively owned automotive equipment on a rate which includes insurance, no additional charge for such insurance shall be made to the joint account under this Subparagraph (d).

Premiums paid for such insurance shall be charged to the joint account. Unit Operator shall not carry fire or extended coverage insurance upon the property under its control. Unit Operator shall require all contractors and subcontractors employed in operations hereunder to carry Workmen's Compensation and Employer's Liability Insurance, and satisfactory Comprehensive General Liability and Comprehensive General Automobile Insurance.

14.3 INTERNAL REVENUE PROVISION. Each of the parties hereto elects under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs Unit Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Unit Operator so to do, each party agrees to execute and join in such an election.

14.4 FORCE MAJEURE. In the event any party hereto is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this contract other than the obligation to make payment of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of Force Majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by Force Majeure, shall be suspended during the continuance of any liability so caused, but for no longer period; and the cause of the Force Majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean any cause not reasonably within the control of the party claiming suspension.

14.5 NOTICES. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Section III hereof.

SECTION XV

EFFECTIVE DATE AND TERM

15.1 SAME AS UNIT AGREEMENT. Subject to the provisions of Subsection 15.2, this agreement shall be binding on all parties who execute it regardless of the joinder or non-joinder of any other party; provided, however, this agreement shall not become effective until the effective date of the Unit Agreement and the term hereof shall be the same as the term of said Unit Agreement and thereafter until all unit wells have been abandoned and plugged or turned over to Working Interest Owners in accordance with Section XVI hereof, and all personal and real property acquired for the joint account of the Working Interest Owners has been disposed of by Unit Operator in accordance with instructions of Working Interest Owners.

15.2 EXECUTION. Unit Operator shall, prior to the final submission of the Unit Agreement to the Director, Commissioner, and the Indian Commissioner (or their duly authorized representatives) for final approval, submit to the Working Interest Owners a report as to the number and the percentage in interest of the Working Interest Owners and Royalty Owners who have executed the Unit Agreement. The Working Interest Owners shall determine by the affirmative vote of parties owning Participating Interests of at least Seventy-Five (75%) per cent, determined on the basis of the percentage participations set forth in Exhibit "C" of the Unit Agreement, whether or not submission of the Unit Agreement to the Director, Commissioner and the Indian Commissioner for final approval is justified. If an affirmative vote is obtained, all parties who have joined herein shall be bound hereby and shall remain a party hereto regardless of the joinder or non-joinder of any other owner who might be entitled to join herein, but in the event of a negative vote, no party hereto shall thereafter be bound by the terms of either the Unit Agreement or this agreement.

SECTION XVI

ABANDONMENT OF OPERATIONS

16.1 TERMINATION. Upon termination of the Unit Agreement the following will occur:

(a) Possession of all oil and gas rights in and to the separate tracts in the Unit Area shall revert to the Working Interest Owners thereof;

(b) Working Interest Owners of any such tract desiring to take over and continue to operate a well or wells located thereon may do so by paying Unit Operator, for the credit of the joint account, the net salvage value of the casing and equipment in and on the well and to agree to properly plug the well at such time as it is abandoned.

(c) With respect to all wells not taken over by Working Interest Owners, Unit Operator shall, at the joint expense of Working Interest Owners, salvage as much of the casing and equipment in or on such wells as can economically and reasonably be salvaged and shall cause the same to be properly plugged and abandoned.

(d) Working Interest Owners shall share the cost of salvaging, liquidation, or distribution of assets and properties used in the development and operation of the Unit Area in proportion to their respective Participating Interests.

SECTION XVII

COUNTERPART EXECUTION

17.1 EXECUTION BY SEPARATE COUNTERPARTS OR RATIFICATIONS. This agreement may be executed in any number of counterparts and each counterpart so executed shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument; or may be ratified by a separate instrument in writing referring to this agreement. Each such ratification shall have the force and effect of an executed counterpart and of adopting by reference all provisions hereof.

SECTION XVIII

SUCCESSORS AND ASSIGNS

18.1 SUCCESSORS AND ASSIGNS. The terms and provisions hereof shall be covenants running with the lands and unitized leases covered hereby and shall be binding upon and inure to the benefit of the respective heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement is executed as of the date first above written.

UNIT OPERATOR AND WORKING INTEREST OWNER

SUNRAY MID-CONTINENT OIL COMPANY

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

PHILLIPS PETROLEUM COMPANY

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

PAN AMERICAN PETROLEUM CORPORATION

By______________________ Attorney in Fact

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

SOUTHERN UNION GAS COMPANY

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

EL PASO NATURAL GAS PRODUCTS COMPANY

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

SHELL OIL COMPANY

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

VAL R. REESE AND ASSOC., INC.

By______________________ Vice President

______________________ Address

ATTEST:

______________________ Secretary

Date of Signature:

____

STATE OF OKLAHOMA)
COUNTY OF TULSA) ss.

On this ____ day of ______________, 19___, before me appeared ______________, to me personally known, who, being by me duly sworn, did say that he is Vice President of SUNRAY MID-CONTINENT OIL COMPANY, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said ______________ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: ______________ Notary Public

STATE OF ______________)
COUNTY OF ______________) ss.

On this ____ day of ______________, 19___, before me appeared ______________, to me personally known, who, being by me duly sworn, did say that he is Vice President of AMERADA PETROLEUM CORPORATION, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said ______________ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: ______________ Notary Public

STATE OF ______________)
COUNTY OF ______________) ss.

On this ____ day of ______________, 19___, before me appeared ______________, to me personally known, who, being by me duly sworn, did say that he is Vice President of PHILLIPS PETROLEUM COMPANY, a Delaware corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said ______________ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: ______________ Notary Public

STATE OF ______________)
COUNTY OF ______________) ss.

On this ____ day of ______________, 19___, before me appeared ______________, to me personally known, who, being by me duly sworn, did say that he is Vice President of PAN AMERICAN PETROLEUM CORPORATION, a ______________ corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said ______________ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: ______________ Notary Public

STATE OF ______________)
COUNTY OF ______________) ss.

On this ____ day of ______________, 19___, before me appeared ______________, to me personally known, who, being by me duly sworn, did say that he is Vice President of SOUTHERN UNION GAS COMPANY, a ______________ corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said ______________ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: ______________ Notary Public

STATE OF ______________)
COUNTY OF ______________) ss.

On this ____ day of ______________, 19___, before me appeared ______________, to me personally known, who, being by me duly sworn, did say that he is Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a ______________ corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said ______________ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: ______________ Notary Public

My commission expires _____ NOTARY PUBLIC

STATE OF _____ }
COUNTY OF _____ } ss.

On this _____ day of _____, 19____, before me appeared _____ to me personally known, who, being by me duly sworn, did say that he is the President of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires _____ NOTARY PUBLIC

STATE OF _____ }
COUNTY OF _____ } ss.

On this _____ day of _____, 19____, before me appeared _____ to me personally known, who, being by me duly sworn, did say that he is the President of _____, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, a business corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires _____ NOTARY PUBLIC

STATE OF _____ }
COUNTY OF _____ } ss.

On this _____ day of _____, 19____, before me appeared _____ to me personally known, who, being by me duly sworn, did say that he is the President of _____, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires _____ NOTARY PUBLIC

II. INCORPORATION AND ORGANIZATION; CHANGES

1. Articles and Bylaws. Articles of incorporation and bylaws are prepared with the following provisions:

2. Capital. Capital stock is $_____ divided into _____ shares of $_____ par value each.

3. Subscription and Payment. Subscriptions for stock are solicited from _____ persons who are expected to be the principal stockholders. Subscriptions are payable _____ days after the date of incorporation.

4. Directors. The first board of directors will consist of _____ persons, who will serve until the first annual meeting of stockholders. Directors will be elected annually thereafter.

5. Officers. The officers will be elected by the board of directors at its first meeting. They will be _____ as president, _____ as vice president, _____ as secretary, and _____ as treasurer. The duties of the officers will be those usually performed by officers of corporations.

6. Changes. Changes in the articles of incorporation and bylaws will be made only with the approval of _____ of the shares of stock outstanding.

7. Dissolution. Dissolution of the corporation will be made only with the approval of _____ of the shares of stock outstanding.

8. Miscellaneous Provisions. _____

III. FINANCING

1. Stock Certificates. Stock certificates will be issued in the following form:

2. Stock Transfer Restrictions. Stock transfer restrictions will be imposed as follows:

3. Buy-Sell Agreement. The following buy-sell agreement will be entered into by the principal stockholders:

4. Loans. Loans will be obtained from the following sources:

5. Pledges. Pledges of stock will be made as follows:

6. Voting Trusts. Voting trusts will be created as follows:

7. Restrictions on Borrowing. Restrictions on borrowing will be imposed as follows:

8. Dividends. Dividends will be paid as follows:

9. Bonus Plans. Bonus plans will be established as follows:

10. Employee Benefits. _____

11. Retirement or Medical Procedures for Officers. _____

12. Employee's Beneficiary Insured Families. _____

13. Other Considerations. _____

IV. BANK OR FINANCIER OR JOINT ACTIVITY

1. Purchases. _____

2. Materials Furnished or Services. _____

3. Financial Statements. _____

4. Bank Accounts. _____

5. Borrowing. _____

6. Guarantees. _____

7. Bonds. _____

8. Insurance. _____

9. Other Expenditures. _____

10. Employee Fully Insured Retirement Annuities and Retirement Reports. _____

11. Local Merchandising Costs Included in Quarterly Payment. _____

Other Considerations or Criminal Actions. _____

EXHIBIT "B"
Attached to and made a part of that Operating Agreement
for the DEVELOPMENT AND OPERATION OF THE Cimarron Hills
Lease Gallup Zone Units Area, County of San Juan, State
of New Mexico

ACCOUNTING PROCEDURE
JOINT AND JOINT LEASE OPERATIONS

I. GENERAL PROVISIONS

1. Definitions. _____

2. Statements and Billings. _____

3. Audits. _____

4. Adjustments. _____

5. Approval by Non-Operator. _____

6. Charges When Non-Operator Assumes Risk. _____

7. Withdrawal. _____

8. Termination Hereof. _____

9. Taxes. _____

10. Insurance. _____

11. Claims and Lawsuits. _____

12. Abandonment and Reclamation. _____

13. Expenditures in Excess of Budget. _____

14. Non-Consent Operations. _____

15. Salvage. _____

16. Records. _____

206