

Case Number

5902

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 20, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Amoco Production Company
for a unit agreement, Eddy County,
New Mexico.

CASE
5902

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

sid morrison reporting service
General Court Reporting Service
825 Calle Mojito, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. STAMETS: We will call next Case 5902.

2 MS. TESCHENDORF: Case 5902, application of Amoco

3 Production Company for a unit agreement, Eddy County,

4 New Mexico.

5 The applicant has requested that we dismiss the

6 case.

7 MR. STAMETS: Case 5902 will be dismissed.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

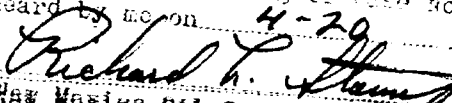
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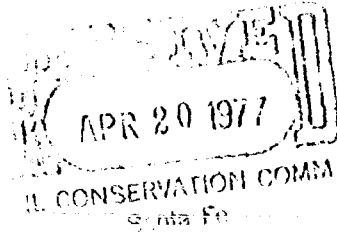
REPORTER'S CERTIFICATE

1
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
3 do hereby certify that the foregoing and attached Transcript
4 of Hearing before the New Mexico Oil Conservation Commission
5 was reported by me, and the same is a true and correct record
6 of the said proceedings to the best of my knowledge, skill and
7 ability.

8
9 
10 Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mola, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

11
12
13
14
15
16 I do hereby certify that the foregoing is
17 a complete and true transcript of the proceedings in
18 the Examination of Case No. 5902
19 heard by me on 4-29 1977
20 
21 Richard L. Ham, Examiner
22 New Mexico Oil Conservation Commission
23
24
25



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

J. M. Brown
Division Engineering
Manager

April 18, 1977

File: HHR-986.51NM-1754

Re: Case 5902
April 20, 1977 Examiner Hearing Docket
Apple Draw Unit Area

New Mexico Oil Conservation Commission (3)
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Gentlemen:

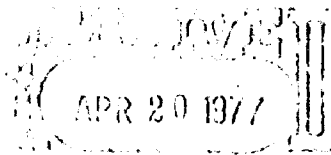
Amoco Production Company respectfully requests that Case 5902 -
April 20, 1977 Examiner Hearing Docket - for approval of the
Apple Draw Unit in Township 25 South, Range 27 East, Eddy County,
New Mexico be dismissed.

We plan to form a voluntary working interest unit covering a
portion of the above area.

Very truly yours,

J M Brown
JEP

JEP:sam



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

J. M. Brown
Division Engineering
Manager

April 18, 1977

File: HHR-986.51NM-1754

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JEP:sam

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5902
Order No. R-5424

APPLICATION OF AMOCO PRODUCTION COMPANY
FOR APPROVAL OF THE APPLE DRAW UNIT
AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 20, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 26th day of April, 1977, the Commission,
a quorum being present, having considered the record and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

That the applicant's request for dismissal should be
granted.

IT IS THEREFORE ORDERED:

That Case No. 5902 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

S E A L

jr/

Dockets Nos. 15-77 and 16-77 are tentatively set for hearing on May 11 and May 25, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 20, 1977

9 A.M. OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for May, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for May, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5872: (Reopened)

In the matter of Case 5872 being reopened pursuant to the provisions of Order No. R-5373 which order suspended Rules 15(A) and 15(B) of the General Rules for Prorated Gas Pools as promulgated by Order No. R-1670, as amended, to permit overproduced wells to continue to produce gas during the present severe weather conditions without danger of being shut in for overproduction. All interested parties may appear and show cause why said suspension should not be rescinded. Also to be considered will be the matter of final disposition of overproduction accrued during the period of suspension of Rules 15(A) and 15(B), and what, if any, special consideration should be given to underproduction accrued to gas wells during the period of suspension of said rules.

CASE 5888: (Continued from March 23, 1977, Examiner Hearing)

Application of Dalport Oil Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its A. L. Christmas Well No. 3 to be drilled 330 feet from the South line and 2310 feet from the East line of Section 25, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

CASE 5901: Application of Gulf Oil Corporation for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 400-acre non-standard gas proration unit comprising the SE/4 of Section 8, and the E/2 NW/4 and NE/4 of Section 17, Township 20 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's Theodore Anderson Wells Nos. 1 and 4, located at unorthodox locations in Unit C of said Section 8 and Unit B of said Section 17, respectively.

CASE 5902: Application of Amoco Production Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Apple Draw Unit Area comprising 3840 acres, more or less, of Federal, State, and Fee lands in Township 25 South, Range 27 East, Eddy County, New Mexico.

CASE 5903: Application of Maddox Energy Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a gas well to be drilled at a point 2310 feet from the South line and 1650 feet from the West line of Section 9, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

CASE 5639: (Reopened)

In the matter of Case 5639 being reopened pursuant to the provisions of Order No. R-5173, which order established temporary special pool rules for the South Maljamar-Strawn Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5904: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Fruitland and Pictured Cliffs formations underlying the NE/4 and/or SE/4 of Section 20, Township 32 North, Range 6 West, San Juan County, New Mexico, and in the Mesaverde and Dakota formations underlying the E/2 of said Section 20, the above-described lands to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5905: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SE/4 and the E/2 SW/4 of Section 3, and the NW/4 of Section 10, and all mineral interests in the Pictured Cliffs and Fruitland formations underlying the NW/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1800 feet from the North line and 850 feet from the West line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5906: (This Case will be continued to the May 11, 1977, Examiner Hearing)

Application of Palmer Oil & Gas Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Dakota formations underlying the W/2 SW/4 of Section 2, the E/2 SE/4 of Section 3, and the NE/4 of Section 10, all in Township 31 North, Range 7 West, San Juan County, New Mexico, to be dedicated to a well to be drilled 1525 feet from the North line and 1850 feet from the East line of said Section 10. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5907: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Papers Wash-Entrada Oil Pool, McKinley County, New Mexico.CASE 5908: Application of Dome Petroleum Corporation for a special depth bracket allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special depth bracket allowable of 750 barrels of oil per day for the Ojo Encino-Entrada Oil Pool, McKinley County, New Mexico.CASE 5909: Application of Dome Petroleum Corporation for pool creation and special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Snake Eyes-Entrada Oil Pool in Section 20, Township 21 North, Range 8 West, San Juan County, New Mexico, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.CASE 5910: Application of Yates Petroleum Corporation for gas pool creations and downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of three Pennsylvanian gas pools in Townships 17 and 18 South, Ranges 24, 25, and 26 East, Eddy County, New Mexico, including the Richard Knob- and East Eagle Creek-Lower Penn Gas Pools with provisions in each for commingling Strawn, Atoka, and Morrow production in the wellbores of wells drilled therein, and the Eagle Creek Permo-Penn Gas Pool with provision for commingling Wolfcamp, Cisco, Canyon, and Strawn production in the wellbores of wells drilled therein.CASE 5898: (Continued from April 6, 1977, Examiner Hearing)

Application of Chace Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Ballard-Pictured Cliffs and South Lindrith Gallup-Dakota production in the wellbore of its Jicarilla 70 Well No. 3 located in Unit C of Section 33, Township 24 North, Range 4 West, Rio Arriba County, New Mexico. In the alternative, applicant seeks authority to commingle said production at the surface without prior measurement and waiver of the gas-oil ratio test requirement.

CASE 5911: Application of Odessa Natural Gas Company for special pool rules, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the adoption of special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba County, New Mexico, to provide for 160-acre spacing for oil wells and for reclassification of wells from oil to gas and the removal of such gas wells to the Basin-Dakota Pool.

CASE 5629: (Reopened)

In the matter of Case 5629 being reopened pursuant to the provisions of Order No. R-5192, which order established temporary special pool rules for the Chacon-Dakota Oil Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 5889: (Continued & Readvertised)

Application of Saturn Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Abo formation underlying the NE/4 SE/4 of Section 11, Township 23 South, Range 37 East, Lea County, New Mexico, to be dedicated to its Lineberry Well No. 1 located in Unit I of said Section; and underlying the NW/4 SE/4 of said Section 11 to be dedicated to its Lineberry Well No. 2 located in Unit J of said Section. In the event re-entry into either well is unsuccessful, applicant proposes to drill a replacement well at a standard location on its tracts. Also to be considered will be the costs of recompletion or drilling and completing said wells and the allocation of the costs thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in recompletion or drilling of said wells.



Amoco Production Company

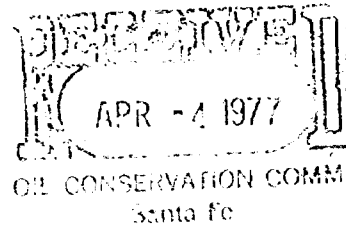
500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

J. M. Brown
Division Engineering
Manager

March 29, 1977

File: TBM-986.51NM-1593

Re: Application for Hearing
Apple Draw Unit
T-25-S, R-27-E
Eddy County, New Mexico



New Mexico Oil Conservation Commission (3)
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Gentlemen:

Amoco Production Company respectfully requests a hearing for the purpose of obtaining approval of the Apple Draw Unit. The Unit comprises 3840 acres, more or less, of Federal, State and Fee Lands all in T-25-S, R-27-E, Eddy County, New Mexico.

A copy of the proposed unit agreement is attached. If you have any questions, please direct them to Mr. Jim Pease (713-652-5461) or Mr. Greg Allen (713-652-5249).

Very truly yours,

JEP:sam
Attachment



APR - 4 1971
OIL CONSERVATION COMM.
Balla To

March 14 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

[illegible]

ATTENTION: Mr. Joe W. Durkee

Gentlemen:

In reply to your letter of March 9, 1977, please be advised that the Commissioner of Public Lands designates the Apple Draw unit area embracing 3,840.00 acres, more or less, Eddy County, New Mexico, as a logical area for exploration and development.

Upon submitting the unit for preliminary approval please submit your initial form of unit agreement, engineering report, and Geological data available.

Upon submitting the unit for final approval the following are required by this office.

1. Application for final approval stating all tracts committed and tracts not committed.
2. Two executed copies of Unit Agreement-one must be an original.
3. One copy of Operating agreement.
4. Two copies of all ratifications from Lessees of Record and Working Interest Owners. One must be original signatures.
5. Filing fee in the amount of Sixty (\$60.00) Dollars.

Amoco Production Company
March 14, 1977
Page 2.

✓ 6. Order of the New Mexico Oil Conservation Commission.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s

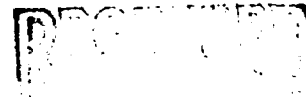


United States Department of the Interior

GEOLOGICAL SURVEY
Denver Federal Center
Denver, Colorado 80225

IN REPLY REFER TO

MAR 4 1977



MAR 7 1977

Amoco Production Company
LAND DEPARTMENT
HOUSTON, TEXAS

Amoco Production Company
Attention: Mr. C.N. Menninger
500 Jefferson Building
P. O. Box 3092
Houston, Texas 77001

120077

Gentlemen:

Your application of January 25, 1977, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Apple Draw unit area, embracing 3,840.00 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Apple Draw unit area, Eddy County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Strawn formation or to a depth of 11,200 feet. Your proposed use of the Form of Agreement for Unproved Areas (1968 reprint) will be accepted with the modifications requested in your application provided it is further modified as follows:

Add the words "as amended" after (30 F.R. 12319) in Section 26, Nondiscrimination.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Assistant Area Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to Roswell, New Mexico for the Supervisor's approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of the letter to Commissioner of Public Lands in Santa Fe. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,


Regional Conservation Manager
For the Director

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisor of the Geological Survey (33 F.R. 4812), I do hereby:

A. Approve the attached agreement for the development and operation of the Pavo Mesa Unit Area, 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, 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.

Dated: _____

Oil and Gas Supervisor,
United States Geological Survey

Contract Number: _____

UNIT AGREEMENT FOR THE DEVELOPMENT
AND OPERATION OF THE APPLE DRAW UNIT
COUNTY OF EDDY, STATE OF NEW MEXICO

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Exhibit "A" (Map)

Exhibit "B" (Description of interests subject to agreement)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
APPLE DRAW UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 2nd. day of May, 1977, 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 agree-
ment; 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 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 162, 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 of 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. 162, 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 Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 3840 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

1 to the extent known to the Unit Operator. Exhibit "B" attached hereto
2 is a schedule showing to the extent known to the Unit Operator the
3 acreage, percentage, and kind of ownership of oil and gas interests
4 in all land in the unit area. However, nothing herein or in said schedule
5 or map shall be construed as a representation by any party hereto as
6 to the ownership of any interest other than such interest or interests
7 as are shown in said map or schedule as owned by such party. Exhibits
8 "A" and "B" shall be revised by the Unit Operator whenever changes
9 in the unit area render such revision necessary, or when requested
10 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor"
11 and not less than five copies of the revised exhibits shall be filed
12 with the Supervisor, and two copies with the Commissioner of Public Lands
13 of the State of New Mexico, hereinafter referred to as the "Commissioner",
14 and one copy with the New Mexico Oil Conservation Commission, hereinafter
15 referred to as "State Commission".

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

- 21 (a) Unit Operator, on its own motion or on demand of the
22 Director of the Geological Survey, hereinafter referred
23 to as "Director," or on demand of the Commissioner
24 after preliminary concurrence by the Director, shall
25 prepare a notice of proposed expansion or contraction
26 describing the contemplated changes in the boundaries
27 of the unit area, the reasons therefor, and the proposed
28 effective date thereof, preferably the first day of
29 a month subsequent to the date of notice.
- 30 (b) Said notice shall be delivered to the Supervisor and
31 the Commissioner and copies thereof mailed to the last
32 known address of each working interest owner, lessee, and lessor
33 whose interests are affected, advising that 30 days will be
34 allowed for submission to the Unit Operator of any objections.
- 35 (c) Upon expiration of the 30-day period provided in the
36 preceding item (b) hereof, Unit Operator shall file

1 with the Supervisor and the Commissioner evidence of
2 mailing of the notice of expansion or contraction and
3 a copy of any objections thereto which have been filed
4 with the Unit Operator, together with an application
5 in sufficient number, for approval of such expansion
6 or contraction and with appropriate joinders.

7 (d) After due consideration of all pertinent information,
8 the expansion or contraction shall, upon approval by
9 the Supervisor and the Commissioner, become effective
10 as of the date prescribed in the notice thereof.

11 (e) All legal subdivisions of lands (i.e., 40 acres by Govern-
12 ment survey or its nearest lot or tract equivalent;
13 in instances of irregular surveys unusually large lots
14 or tracts shall be considered in multiples of 40 acres
15 or the nearest aliquot equivalent thereof), no parts
16 of which are entitled to be in a participating area
17 on or before the fifth anniversary of the effective
18 date of the first initial participating area established
19 under this unit agreement, shall be eliminated automatically
20 from this agreement, effective as of said fifth anniversary,
21 and such lands shall no longer be a part of the unit
22 area and shall no longer be subject to this agreement,
23 unless diligent drilling operations are in progress
24 on unitized lands not entitled to participation on said
25 fifth anniversary, in which event all such lands shall
26 remain subject hereto for so long as such drilling operations
27 are continued diligently, with not more than 90 days'
28 time elapsing between the completion of one such well
29 and the commencement of the next such well. All legal
30 subdivisions of lands not entitled to be in a participating
31 area within 10 years after the effective date of the
32 first initial participating area approved under this
33 agreement shall be automatically eliminated from this
34 agreement as of said tenth anniversary. All lands proved
35 productive by diligent drilling operations after the
36 aforesaid 5-year period shall become participating in

1 the same manner as during said 5-year period. However,
2 when such diligent drilling operations cease, all nonpartici-
3 pating lands shall be automatically eliminated effective
4 as of the 91st day thereafter. The unit operator shall
5 within 90 days after the effective date of any elimination
6 hereunder, describe the area so eliminated to the satisfaction
7 of the Supervisor and Commissioner and promptly notify
8 all parties in interest.

9 If conditions warrant extension of the 10-year period
10 specified in this subsection 2(e), a single extension
11 of not to exceed 2 years may be accomplished by consent
12 of the owners of 90% of the working interests in the
13 current nonparticipating unitized lands and the owners
14 of 60% of the basic royalty interests (exclusive of
15 the basic royalty interests of the United States) in
16 nonparticipating unitized lands with approval of the
17 Director and Commissioner, provided such extension application
18 is submitted to the Director and the Commissioner not
19 later than 60 days prior to the expiration of said 10-
20 year period.

21 Any expansion of the unit area pursuant to this section
22 which embraces lands theretofore eliminated pursuant
23 to this subsection 2(e) shall not be considered automatic
24 commitment or recommitment of such lands.

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

30 4. UNIT OPERATOR. Amoco Production Company is hereby designated
31 as Unit Operator and by signature hereto as Unit Operator agrees and
32 consents to accept the duties and obligations of Unit Operator for
33 the discovery, development, and production of unitized substances as
34 herein provided. Whenever reference is made herein to the Unit Operator,

1 such reference means the Unit Operator acting in that capacity and
2 not as an owner of interest in unitized substances, and the term "working
3 interest owner" when used herein shall include or refer to Unit Operator
4 as the owner of a working interest when such an interest is owned by
5 it.

6 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall
7 have the right to resign at any time prior to the establishment of
8 a participating area or areas hereunder, but such resignation shall
9 not become effective so as to release Unit Operator from the duties
10 and obligations of Unit Operator and terminate Unit Operator's rights
11 as such for a period of 6 months after notice of intention to resign
12 has been served by Unit Operator on all working interest owners, the
13 Supervisor and Commissioner, and until all wells then drilled hereunder
14 are placed in a satisfactory condition for suspension or abandonment
15 whichever is required by the Supervisor or Commissioner, unless a new
16 Unit Operator shall have been selected and approved and shall have
17 taken over and assumed the duties and obligations of Unit Operator
18 prior to the expiration of said period.

19 Unit Operator shall have the right to resign in like manner
20 and subject to like limitations as above provided at any time a partici-
21 pating area established hereunder is in existence, but, in all instances
22 of resignation or removal, until a successor unit operator is selected
23 and approved as hereinafter provided, the working interest owners shall
24 be jointly responsible for performance of the duties of unit operator,
25 and shall not later than 30 days before such resignation or removal
26 becomes effective appoint a common agent to represent them in any action
27 to be taken hereunder.

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

31 The Unit Operator may, upon default or failure in the perform-
32 ance of its duties or obligations hereunder, be subject to removal
33 by the same percentage vote of the owners of working interests as herein
34 provided for the selection of a new Unit Operator. Such removal shall
35 be effective upon notice thereof to the Supervisor and the Commissioner.

1 The resignation or removal of Unit Operator under this agreement
2 shall not terminate its right, title, or interest as the owner of a
3 working interest or other interest in unitized substances, but upon
4 the resignation or removal of Unit Operator becoming effective, such
5 Unit Operator shall deliver possession of all wells, equipment, materials,
6 and appurtenances used in conducting the unit operations to the new
7 duly qualified successor Unit Operator or to the common agent, if no
8 such new Unit Operator is elected, to be used for the purpose of con-
9 ducting unit operations hereunder. Nothing herein shall be construed as
10 authorizing removal of any material, equipment and appurtenances needed
11 for the preservation of any wells.

12 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall
13 tender his or its resignation as Unit Operator or shall be removed
14 as hereinabove provided, or a change of Unit Operator is negotiated
15 by working interest owners, the owners of the working interests in
16 the participating area or areas according to their respective acreage
17 interests in such participating area or areas, or, until a participating
18 area shall have been established, the owners of the working interest
19 according to their respective acreage interests in all unitized land,
20 shall by majority vote select a successor Unit Operator: Provided,
21 That, if a majority but less than 75 percent of the working interests
22 qualified to vote are owned by one party to this agreement, a concurring
23 vote of one or more additional working interest owners shall be required
24 to select a new operator. Such selection shall not become effective until:

25 (a) A Unit Operator so selected shall accept in writing
26 the duties and responsibilities of Unit Operator, and

27 (b) The selection shall have been approved by the Supervisor
28 and Commissioner.

29 If no successor Unit Operator is selected and qualified as
30 herein provided, the Director and Commissioner at their election may
31 declare this unit agreement terminated.

1 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the
2 Unit Operator is not the sole owner of working interests, costs and
3 expenses incurred by Unit Operator in conducting unit operations here-
4 under shall be paid and apportioned among and borne by the owners of
5 working interests, all in accordance with the agreement or agreements
6 entered into by and between the Unit Operator and the owners of working
7 interests, whether one or more, separately or collectively. Any agreement
8 or agreements entered into between the working interest owners and
9 the Unit Operator as provided in this section, whether one or more,
10 are herein referred to as the "unit operating agreement." Such unit
11 operating agreement shall also provide the manner in which the working
12 interest owners shall be entitled to receive their respective proportionate
13 and allocated share of the benefits accruing hereto in conformity with
14 their underlying operating agreements, leases, or other independent
15 contracts, and such other rights and obligations as between Unit Operator
16 and the working interest owners as may be agreed upon by Unit Operator
17 and the working interest owners; however, no such unit operating agreement
18 shall be deemed either to modify any of the terms and conditions of
19 this unit agreement or to relieve the Unit Operator of any right or
20 obligation established under this unit agreement, and in case of any
21 inconsistency or conflict between this unit agreement and the unit
22 operating agreement, this unit agreement shall govern. Three true
23 copies of any unit operating agreement executed pursuant to this section
24 should be filed with the Supervisor and two true copies with the Commissioner;
25 prior to approval of this unit agreement.

26 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise
27 specifically provided herein, the exclusive right, privilege, and duty
28 of exercising any and all rights of the parties hereto which are neces-
29 sary or convenient for prospecting for, producing, storing, allocating,
30 and distributing the unitized substances are hereby delegated to and shall

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land and if upon State land, such location shall be approved by the Commissioner or State Commission unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until all of the formations of Pennsylvanian Age have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, if on Federal land or to the Commissioner and the State Commission as to wells on State land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 12,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor, if it be on Federal land and if upon State land to the satisfaction of the Commissioner or the State Commission, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this

1 section shall be deemed to limit the right of the Unit Operator to resign
2 as provided in Section 5, hereof, or as requiring Unit Operator to commence
3 or continue any drilling during the period pending such resignation becoming
4 effective in order to comply with the requirements of this section. The
5 Supervisor and the Commissioner may modify the drilling requirements of this
6 section by granting reasonable extensions of time when, in his opinion,
7 such action is warranted.

8 Upon failure to commence any well provided for in this section
9 within the time allowed, including any extension of time granted by the
10 Supervisor and the Commissioner, this agreement will automatically
11 terminate; upon failure to continue drilling diligently any well commenced
12 hereunder, the Supervisor and Commissioner may, after 15-days' notice to
13 the Unit Operator, declare this unit agreement terminated.

14 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months
15 after completion of a well capable of producing unitized substances
16 in paying quantities, the Unit Operator shall submit for the approval
17 of the Supervisor, the Commissioner and the State Commission an acceptable
18 plan of development and operation for the unitized land which, when
19 approved by the Supervisor, the Commissioner and the State Commission
20 shall constitute the further drilling and operating obligations of the
21 Unit Operator under this agreement for the period specified therein.
22 Thereafter, from time to time before the expiration of any existing plan,
23 the Unit Operator shall submit for the approval of the Supervisor, the
24 Commissioner and the State Commission a plan for an additional specified
25 period for the development and operation of the unitized land.

26 Any plan submitted pursuant to this section shall provide for
27 the exploration of the unitized area and for the diligent drilling necessary
28 for determination of the area or areas thereof capable of producing
29 unitized substances in paying quantities in each and every productive
30 formation and shall be as complete and adequate as the Supervisor, the
31 Commissioner and the State Commission may determine to be necessary for
32 timely development and proper conservation of the oil and gas resources
33 of the unitized area and shall:

- 1 (a) specify the number and locations of any wells to be
2 drilled and the proposed order and time for such
3 drilling; and
4 (b) to the extent practicable specify the operating
5 practices regarded as necessary and advisable for proper
6 conservation of natural resources.

7 Separate plans may be submitted for separate productive zones, subject
8 to the approval of the Supervisor, the Commissioner and the State
9 Commission.

10 Plans shall be modified or supplemented when necessary to
11 meet changed conditions or to protect the interests of all parties to
12 this agreement. Reasonable diligence shall be exercised in complying
13 with the obligations of the approved plan of development. The supervisor
14 and the Commissioner are authorized to grant a reasonable extension
15 of the 6-month period herein prescribed for submission of an initial
16 plan of development where such action is justified because of unusual
17 conditions or circumstances. After completion hereunder of a well capable
18 of producing any unitized substance in paying quantities, no further wells,
19 except such as may be necessary to afford protection against operations
20 not under this agreement and such as may be specifically approved by the
21 Supervisor and the Commissioner, shall be drilled except in accordance
22 with a plan of development approved as herein provided.

23 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well
24 capable of producing unitized substances in paying quantities or as
25 soon thereafter as required by the Supervisor and the Commissioner,
26 the Unit Operator shall submit for approval by the Supervisor, the
27 Commissioner and the State Commission a schedule, based on subdivisions
28 of the public-land survey or aliquot parts thereof, of all land then
29 regarded as reasonably proved to be productive in paying quantities;
30 all lands in said schedule on approval of the Supervisor, the Commissioner
31 and the State Commission to constitute a participating area, effective
32 as of the date of completion of such well or the effective date of
33 this unit agreement, whichever is later. The acreages of both Federal
34 and non-Federal lands shall be based upon appropriate computations
35 from the courses and distances shown on the last approved public-land

1 survey as of the effective date of each initial participating area.
2 Said schedule shall also set forth the percentage of unitized substances
3 to be allocated as herein provided to each tract in the participating
4 area so established, and shall govern the allocation of production
5 commencing with the effective date of the participating area. A separate
6 participating area shall be established for each separate pool or deposit
7 of unitized substances or for any group thereof which is produced as
8 a single pool or zone, and any two/or more participating areas so established
9 may be combined into one, on approval of the Supervisor, the Commissioner
10 and the State Commission. When production from two or more participating
11 areas, so established, is subsequently found to be from a common pool
12 or deposit said participating areas shall be combined into one effective
13 as of such appropriate date as may be approved or prescribed by the
14 Supervisor, the Commissioner and the State Commission. The participating
15 area or areas so established shall be revised from time to time, subject
16 to like approval, to include additional land then regarded as reasonably
17 proved to be productive in paying quantities or necessary for unit
18 operations, or to exclude land then regarded as reasonably proved not
19 to be productive in paying quantities and the schedule of allocation
20 percentages shall be revised accordingly. The effective date of any
21 revision shall be the first of the month in which is obtained the knowledge
22 or information on which such revision is predicated, provided, however,
23 that a more appropriate effective date may be used if justified by
24 the Unit Operator and approved by the Supervisor, the Commissioner
25 and the State Commission. No land shall be excluded from a participating
26 area on account of depletion of the unitized substances, except that
27 any participating area established under the provisions of this unit
28 agreement shall terminate automatically whenever all completions in
29 the formation on which the participating area is based are abandoned.

30 It is the intent of this section that a participating area
31 shall represent the area known or reasonably estimated to be productive
32 in paying quantities; but, regardless of any revision of the participating
33 area, nothing herein contained shall be construed as requiring any
34 retroactive adjustment for production obtained prior to the effective
35 date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Commissioner and the State Commission as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and Commissioner. Royalties due the United States and the State of New Mexico shall be determined by the Supervisor and Commissioner and the amount thereof shall be deposited, as directed by the Supervisor and the Commissioner, respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal 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 land, the Commissioner as to wells on State lands, that a well drilled under this agreement is not capable of production in paying quantities 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 land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Commissioner and the State Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the

1 purpose of determining any benefits accruing under this agreement,
2 each such tract of unitized land shall have allocated to it such percentage
3 of said production as the number of acres of such tract included in
4 said participating area bears to the total acres of unitized land in
5 said participating area, except that allocation of production hereunder
6 for purposes other than for settlement of the royalty, overriding royalty,
7 or payment out of production obligations of the respective working
8 interest owners, shall be on the basis prescribed in the unit operating
9 agreement whether in conformity with the basis of allocation herein
10 set forth or otherwise. It is hereby agreed that production of unitized
11 substances from a participating area shall be allocated as provided
12 herein regardless of whether any wells are drilled on any particular
13 part or tract of said participating area. If any gas produced from
14 one participating area is used for repressuring or recycling purposes
15 in another participating area, the first gas withdrawn from such last-
16 mentioned participating area for sale during the life of this agreement
17 shall be considered to be the gas so transferred until an amount equal
18 to that transferred shall be so produced for sale and such gas shall
19 be allocated to the participating area from which initially produced
20 as such area was last defined at the time of such final production.

21 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.
22 Any party hereto owning or controlling the working interest in any
23 unitized land having thereon a regular well location may with the approval
24 of the Supervisor, the Commissioner or the State Commission, at such
25 party's sole risk, costs, and expense, drill a well to test any formation
26 for which a participating area has not been established or to test
27 any formation for which a participating area has been established if
28 such location is not within said participating area, unless within
29 90 days of receipt of notice from said party of his intention to drill
30 the well the Unit Operator elects and commences to drill such a well
31 in like manner as other wells are drilled by the Unit Operator under
32 this agreement.

1 If any well drilled as aforesaid by a working interest owner
2 results in production such that the land upon which it is situated
3 may properly be included in a participating area, such participating
4 area shall be established or enlarged as provided in this agreement
5 and the well shall thereafter be operated by the Unit Operator in accordance
6 with the terms of this agreement and the unit operating agreement.

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

14 14. ROYALTY SETTLEMENT. The United States and the State of New
15 Mexico and all royalty owners who are entitled to take in kind a share
16 of the substances now unitized hereunder shall hereafter be entitled
17 to the right to take in kind its share of the unitized substances,
18 and Unit Operator, or the working interest owner in case of the operation
19 of a well by a working interest owner as herein provided for in special
20 cases, shall make deliveries of such royalty share taken in kind in
21 conformity with the applicable contracts, laws, and regulations. Settlement
22 for royalty interest not taken in kind shall be made by working interest
23 owners responsible therefor under existing contracts, laws and regulations,
24 or by the Unit Operator on or before the last day of each month for
25 unitized substances produced during the preceding calendar month; provided,
26 however, that nothing herein contained shall operate to relieve the
27 lessees of any land from their respective lease obligations for the
28 payment of any royalties due under their leases.

29 If gas obtained from lands not subject to this agreement
30 is introduced into any participating area hereunder, for use in repres-
31 suring, stimulation of production, or increasing ultimate recovery, in

1 conformity with a plan of operations approved by the Supervisor and
2 the Commissioner, a like amount of gas, after settlement as herein
3 provided for any gas transferred from any other participating area
4 and with appropriate deduction for loss from any cause, may be withdrawn
5 from the formation into which the gas is introduced, royalty free as
6 to dry gas, but not as to any products which may be extracted therefrom;
7 provided that such withdrawal shall be at such time as may be provided
8 in the approved plan of operations or as may otherwise be consented
9 to by the Supervisor, the Commissioner and the State Commission as
10 conforming to good petroleum engineering practice; and provided further,
11 that such right of withdrawal shall terminate on the termination of
12 this unit agreement.

13 Royalty due the United States shall be computed as provided
14 in the operating regulations and paid in value or delivered in kind
15 as to all unitized substances on the basis of the amounts thereof allocated
16 to unitized Federal land as provided herein at the rates specified
17 in the respective Federal leases, or at such lower rate or rates as
18 may be authorized by law or regulation; provided, that for leases on
19 which the royalty rate depends on the daily average production per
20 well, said average production shall be determined in accordance with
21 the operating regulations as though each participating area were a
22 single consolidated lease.

23 Royalty due as to non-Federal lands under the respective
24 leases shall be computed and paid on the basis of all unitized substances
25 allocated to such lands hereunder.

26 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases
27 committed hereto shall be paid by working interest owners responsible
28 therefor under existing contracts, laws, and regulations, provided that
29 nothing herein contained shall operate to relieve the lessees of any
30 land from their respective lease obligations for the payment of any
31 rental or minimum royalty due under their leases. Rental or minimum
32 royalty for lands of the United States subject to this agreement shall
33 be paid at the rate specified in the respective leases from the United

1 States unless such rental or minimum royalty is waived, suspended,
2 or reduced by law or by approval of the Secretary or his duly authorized
3 representative. Rentals on State of New Mexico lands subject to this
4 agreement shall be paid at the rates specified in the respective leases,
5 or may be reduced and suspended upon the order of the Commissioner
6 pursuant to applicable laws and regulations.

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

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

21 17. DRAINAGE. The Unit Operator shall take such measures as
22 the Supervisor and the Commissioner deem appropriate and adequate to
23 prevent drainage of unitized substances from unitized land by wells
24 on land not subject to this agreement.

25 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con-
26 ditions, and provisions of all leases, subleases, and other contracts
27 relating to exploration, drilling, development, or operation for oil or
28 gas on lands committed to this agreement are hereby expressly modified
29 and amended to the extent necessary to make the same conform to the
30 provisions hereof, but otherwise to remain in full force and effect; and
31 the parties hereto hereby consent that the Secretary as to Federal leases

1 and the Commissioner as to State of New Mexico leases shall and by
2 his approval hereof, or by the approval hereof by his duly authorized
3 representative, does hereby establish, alter, change, or revoke the
4 drilling, producing, rental, minimum royalty, and royalty requirements
5 of Federal leases and State of New Mexico leases committed hereto and
6 the regulations in respect thereto to conform said requirements to
7 the provisions of this agreement, and, without limiting the generality
8 of the foregoing, all leases, subleases, and contracts are particularly
9 modified in accordance with the following:

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

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

23 (c) Suspension of drilling or producing operations on all
24 unitized lands pursuant to direction or consent of the
25 Secretary or his duly authorized representative and
26 on all unitized lands of the State of New Mexico pursuant
27 to the consent of the Commissioner, or his duly recognized
28 representative, shall be deemed to constitute such suspension
29 pursuant to such direction or consent as to each and
30 every tract of unitized land. A suspension of drilling
31 or producing operations limited to specified lands shall
32 be applicable only to such lands.

33 (d) Each lease, sublease or contract relating to the exploration,
34 drilling, development or operation for oil or gas of lands
35 other than those of the United States committed to this
36 agreement, which, by its terms might expire prior to the

1 termination of this agreement, is hereby extended beyond
2 any such terms so provided therein so that it shall be
3 continued in full force and effect for and during the
4 term of this agreement.

5 (e) Any Federal lease for a fixed term of twenty (20) years
6 or any renewal thereof or any part of such lease which
7 is made subject to this agreement shall continue in force
8 beyond the term provided therein until the termination
9 hereof. Any other Federal lease committed hereto shall
10 continue in force beyond the term so provided therein or
11 by law as to the land committed so long as such lease
12 remains subject hereto, provided that production
13 is had in paying quantities under this unit agreement
14 prior to the expiration date of the term of such lease,
15 or in the event actual drilling operations are commenced
16 on unitized land, in accordance with the provisions of
17 this agreement, prior to the end of the primary term of
18 such lease and are being diligently prosecuted at that
19 time, such lease shall be extended for two years and so
20 long thereafter as oil or gas is produced in paying
21 quantities in accordance with the provisions of the Mineral
22 Leasing Act Revision of 1960.

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

1 (g) The segregation of any Federal lease committed to this
2 agreement is governed by the following provision in the
3 fourth paragraph of Sec. 17(j) of the Mineral Leasing Act,
4 as amended by the Act of September 2, 1960 (74 Stat. 781-784):

5 "Any [Federal] lease heretofore or hereafter committed to
6 any such [unit] plan embracing lands that are in part
7 within and in part outside of the area covered by any
8 such plan shall be segregated into separate leases as to
9 the lands committed and the lands not committed as of the
10 effective date of unitization: Provided, however, That
11 any such lease as to the nonunitized portion shall continue
12 in force and effect for the term thereof but for not
13 less than two years from the date of such segregation and
14 so long thereafter as oil or gas is produced in paying
15 quantities."

16 (h) Any lease, other than a Federal lease, having only a
17 portion of its lands committed hereto shall be segregated
18 as to the portion committed and the portion not committed,
19 and the provisions of such lease shall apply separately to
20 such segregated portions commencing as of the effective
21 date hereof. In the event any such lease provides for a
22 lump-sum rental payment, such payment shall be prorated
23 between the portions so segregated in proportion to the
24 acreage of the respective tracts.

25 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-
26 strued to be covenants running with the land with respect to the interest
27 of the parties hereto and their successors in interest until this agree-
28 ment terminates, and any grant, transfer, or conveyance, of interest in

1 land or leases subject hereto shall be and hereby is conditioned upon
2 the assumption of all privileges and obligations hereunder by the grantee,
3 transferree, or other successor in interest. No assignment or transfer
4 of any working interest, royalty, or other interest subject hereto
5 shall be binding upon Unit Operator until the first day of the calendar
6 month after Unit Operator is furnished with the original, photostatic,
7 or certified copy of the instrument of transfer.

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

- 11 (a) such date of expiration is extended by the Director
12 and the Commissioner, or
- 13 (b) it is reasonably determined prior to the expiration
14 of the fixed term of any extension thereof that the
15 unitized land is incapable of production of unitized
16 substances in paying quantities in the formations tested
17 hereunder and after notice of intention to terminate
18 the agreement on such ground is given by the Unit Operator
19 to all parties in interest at their last known addresses,
20 the agreement is terminated with the approval of the
21 Supervisor, and the Commissioner, or
- 22 (c) a valuable discovery of unitized substances has been
23 made or accepted on unitized land during said initial
24 term or any extension thereof, in which event the agreement
25 shall remain in effect for such term and so long as
26 unitized substances can be produced in quantities suf-
27 ficient to pay for the cost of producing same from wells
28 on unitized land within any participating area established
29 hereunder and, should production cease, so long thereafter
30 as diligent operations are in progress for the restoration
31 of production or discovery of new production and so
32 long thereafter as unitized substances so discovered
33 can be produced as aforesaid, or
- 34 (d) it is terminated as heretofore provided in this agreement.

1 This agreement may be terminated at any time by not less than 75 percentum,
2 on an acreage basis, of the working interest owners signatory hereto,
3 with the approval of the Supervisor and the Commissioner; notice of
4 any such approval to be given by the Unit Operator to all parties hereto.

5 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director
6 is hereby vested with authority to alter or modify from time to time
7 in his discretion the quantity and rate of production under this agreement
8 when such quantity and rate is not fixed pursuant to Federal or State
9 law or does not conform to any state-wide voluntary conservation or
10 allocation program, which is established, recognized, and generally
11 adhered to by the majority of operators in such State, such authority
12 being hereby limited to alteration or modification in the public interest,
13 the purpose thereof and the public interest to be served thereby to
14 be stated in the order of alteration or modification. Without regard
15 to the foregoing, the Director is also hereby vested with authority
16 to alter or modify from time to time in his discretion the rate of
17 prospecting and development and the quantity and rate of production
18 under this agreement when such alteration or modification is in the
19 interest of attaining the conservation objectives stated in this agreement
20 and is not in violation of any applicable Federal or State law; provided,
21 further, no such alteration or modification shall be affective as to
22 any land of the State of New Mexico as to the rate of prospecting and
23 development in the absence of the specific written approval thereof
24 by the Commissioner and as to lands of the State of New Mexico or privately
25 owned lands subject to this agreement as to the quantity and rate of
26 production in the absence of specific written approval thereof by the
27 Commissioner.

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

31 22 APPEARANCES. Unit Operator shall, after notice to other parties
32 affected, have the right to appear for and on behalf of any and all interests
33 affected hereby before the Department of the Interior, the Commissioner of
34 Public Lands of the State of New Mexico and the New Mexico Conservation
Commission and to appeal from orders issued under the regulations of said

1 Department, the Commission or Commissioner or to apply for relief from
2 any of said regulations or in any proceedings relative to operations before
3 the Department of the Interior, the Commissioner or Commission or any other
4 legally constituted authority; provided, however, that any other interested
5 party shall also have the right at his own expense to be heard in any
6 such proceeding.

7 23. NOTICES. All notices, demands or statements required hereunder
8 to be given or rendered to the parties hereto shall be deemed fully given
9 if given in writing and personally delivered to the party or sent by
10 postpaid registered or certified mail, addressed to such party or parties
11 at their respective addresses set forth in connection with the signatures
12 hereto or to the ratification or consent hereof or to such other address
13 as any such party may have furnished in writing to party sending the
14 notice, demand or statement.

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

22 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring
23 the Unit Operator to commence or continue drilling or to operate on or
24 produce unitized substances from any of the lands covered by this agree-
25 ment shall be suspended while the Unit Operator, despite the exercise of
26 due care and diligence, is prevented from complying with such obligations,
27 in whole or in part, by strikes, acts of God, Federal, State, or municipal
28 law or agencies, unavoidable accidents, uncontrollable delays in trans-
29 portation, inability to obtain necessary materials in open market, or other
30 matters beyond the reasonable control of the Unit Operator whether similar
31 to matters herein enumerated or not. No unit obligation which is suspended
32 under this section shall become due less than thirty (30) days after it

1 has been determined that the suspension is no longer applicable. Deter-
2 mination of creditable "Unavoidable Delay" time shall be made by the unit
3 operator subject to approval of the Supervisor and Commissioner.

4 26. NONDISCRIMINATION. In connection with the performance of work
5 under this agreement, the operator agrees to comply with all the provisions
6 of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319),
7 which are hereby incorporated by reference in this agreement.

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

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

24 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any
25 substantial interest in a tract within the unit area fails or refuses
26 to subscribe or consent to this agreement, the owner of the working
27 interest in that tract may withdraw said tract from this agreement
28 by written notice delivered to the Supervisor, the Commissioner and
29 the Unit Operator prior to the approval of this agreement by the Supervisor
30 and the Commissioner. Any oil or gas interests in lands within the
31 unit area not committed hereto prior to submission of this agreement

1 for final approval may thereafter be committed hereto by the owner or
2 owners thereof subscribing or consenting to this agreement, and, if
3 the interest is a working interest, by the owner of such interest also
4 subscribing to the unit operating agreement. After operations are
5 commenced hereunder, the right of subsequent joinder, as provided in
6 this section, by a working interest owner is subject to such requirements
7 or approvals, if any, pertaining to such joinder, as may be provided
8 for in the unit operating agreement. After final approval hereof,
9 joinder by a non-working interest owner must be consented to in writing
10 by the working interest owner committed hereto and responsible for
11 the payment of any benefits that may accrue hereunder in behalf of
12 such non-working interest. A non-working interest may not be committed
13 to this unit agreement unless the corresponding working interest is
14 committed hereto. Joinder to the unit agreement by a working-interest
15 owner, at any time, must be accompanied by appropriate joinder to the
16 unit operating agreement, if more than one committed working-interest
17 owner is involved, in order for the interest to be regarded as committed
18 to this unit agreement. Except as may otherwise herein be provided,
19 subsequent joinders to this agreement shall be effective as of the
20 first day of the month following the filing with the Supervisor and
21 the Commissioner of duly executed counterparts of all or any papers
22 necessary to establish effective commitment of any tract to this agreement
23 unless objection to such joinder is duly made within 60 days by the
24 Supervisor or the Commissioner.

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

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

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

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

- 17 (1) Accept those working interest rights subject to this
18 agreement and the unit operating agreement; or
19 (2) Lease the portion of such land as is included in a
20 participating area established hereunder subject to this
21 agreement and the unit operating agreement.
22 (3) Provide for the independent operation of any part of such
23 land that are not then included within a participating
24 area established hereunder.

25 If the fee owner of the unitized substances does not accept
26 the working interest rights subject to this agreement and the unit
27 operating agreement or lease such lands as above provided within six (6)
28 months after the surrendered or forfeited working interest rights become
29 vested in the fee owner, the benefits and obligations of operations
30 accruing to such lands under this agreement and the unit operating
31 agreement shall be shared by the remaining owners of unitized working
32 interests in accordance with their respective working interest ownerships,

1 and such owners of working interests shall compensate the fee owner
2 of unitized substances in such lands by paying sums equal to the rentals,
3 minimum royalties, and royalties applicable to such lands under the
4 lease in effect when the lands were unitized.

5 An appropriate accounting and settlement shall be made for
6 all benefits accruing to or payments and expenditures made or incurred
7 on behalf of such surrendered or forfeited working interest subsequent
8 to the date of surrender or forfeiture, and payment of any monies found
9 to be owing by such an accounting shall be made as between the parties
10 within thirty (30) days. In the event no unit operating agreement
11 is in existence and a mutually acceptable agreement between the proper
12 parties thereto cannot be consummated, the Supervisor and Commissioner
13 may prescribe such reasonable and equitable agreement as he deems warranted
14 under the circumstances.

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

19 31. TAXES. The working interest owners shall render and pay for their
20 account and the account of the royalty owners all valid taxes on or
21 measured by the unitized substances in and under or that may be produced,
22 gathered and sold from the land subject to this contract after the effec-
23 tive date of this agreement, or upon the proceeds or net proceeds derived
24 therefrom. The working interest owners on each tract shall and may
25 charge the proper proportion of said taxes to the royalty owners having
26 interests in said tract, and may currently retain and deduct sufficient
27 of the unitized substances or derivative products, or net proceeds thereof
28 from the allocated share of each royalty owner to secure reimbursement
29 for the taxes so paid. No such taxes shall be charged to the United
30 States or the State of New Mexico or to any lessor who has a contract
31 with his lessee which requires the lessee to pay such taxes.

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

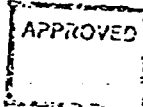
33. SURFACE MANAGEMENT STIPULATION. Nothing in this agreement shall modify any special Federal-lease stipulations relating to surface management, attached to and made a part of Oil and Gas Leases covering lands within the Unit Area.

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

UNIT OPERATOR

Amoco Production Company

By _____
Attorney-in-Fact



WORKING INTEREST OWNERS

STATE OF TEXAS |

COUNTY OF HARRIS |

The foregoing instrument was acknowledged before me this 23
day of April, 1974, by G. H. MENNINGER,
as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

My Commission Expires:

6-1-75

Irene Haldas
Notary Public in and for
Harris County, Texas

IRENE HALDAS
Notary Public in and for Harris County, Texas

UNIT OPERATING AGREEMENT
APPLE DRAW UNIT AREA
EDDY COUNTY, NEW MEXICO

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UNIT OPERATING AGREEMENT
APPLE DRAW UNIT AREA
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT entered into as of the 1st day of March, 1974, by and between the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof.

WITNESSETH:

WHEREAS, the parties hereto as working interest owners have entered into, as of the date hereof, a Unit Agreement for the Development and Operation of the Apple Draw Unit Area, Eddy County, New Mexico, herein-after referred to as the "Unit Agreement", which among other things, provides for a "Unit Operating Agreement", to be entered into by and between the working interest owners for the purpose of providing for the allocation of costs of operation and development of the unit area and the production of unitized substances therefrom among the working interest owners, and to otherwise provide for the development and operation of the unit area as set forth in said unit agreement.

NOW, THEREFORE, it is mutually agreed by and between the parties hereto as follows:

ARTICLE I

CONFIRMATION OF UNIT AGREEMENT

1.1 The aforesaid unit agreement and all exhibits attached thereto are hereby confirmed and made a part of this agreement. Said unit agreement and this unit operating agreement, therefore, shall be effective as to all of the tracts described and identified in Exhibits "A" and "B" of said unit agreement.

ARTICLE II

TITLE EXAMINATION
AND LOSS OF LEASES

2.1 Title Examination: The parties hereto shall, as soon as practicable, submit to unit operator copies of their respective leases

embracing lands committed to the unit area, together with all rentals receipts and copies of any and all title opinions covering said lands, and shall loan to unit operator for examination all abstracts which they may have covering said lands. Unit operator shall procure all supplemental abstracts and other title papers which may be necessary or required to examine title to the leasehold interests pertinent to any drillsite and all expenses incurred in examining title shall be charged as an expense to the parties participating in the drilling of any test well in proportion to their respective interests.

2.2 Failure of Title: Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall nevertheless continue in force as to all remaining leases and interests; and

(1) Each party whose lease or interest therein is affected by the failure of title shall bear alone the entire loss resulting from failure of title to such party's lease or interest therein, and it shall not be entitled to recover from operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

(2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is finally determined that title failure has occurred, so that the interest of the party or parties whose lease or interest is affected by the title failure will thereafter be reduced in the unit area by the amount of the interest lost; and

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

(4) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed,

pay in any manner any part of the cost of operation, development or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and

(5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the parties in the same proportion in which they shared in such prior production.

2.3 Loss of Leases for Causes Other Than Title Failure: If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of the participating interests of the parties hereto on account thereof.

ARTICLE III

MANAGEMENT OF UNIT

3.1 Unit Operator and Employees: Amoco Production Company, a Delaware corporation with an operating office in Houston, Texas, the party hereto named as unit operator of the unit area under the provisions of the unit agreement, or its duly appointed successor unit operator, shall have the exclusive right to develop and operate the unit area subject to the provisions of this agreement and the unit agreement. All individuals employed by unit operator in the conduct of operations hereunder shall be the employees of unit operator alone and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by unit operator.

3.2 Unit Operator - Duties: Unit operator shall in the conduct of operations hereunder:

(a) Conduct the operations in a good workmanlike manner, and in the exercise of its judgment and discretion, acting in good faith;

(b) Consult freely with working interest owners concerning unit operations, and keep working interest owners informed of all matters arising during the operation of the unit area which unit operator, in the exercise of its best judgment, considers important;

(c) Keep full and accurate records of all costs incurred, rentals and royalties paid, and controllable materials and equipment, which records, receipts and vouchers in support thereof shall be available for inspection by authorized representatives of the working interest owners at reasonable intervals during usual business hours, at the office of the unit operator;

(d) Permit the working interest owners, each through their duly authorized representatives, but at their sole risk and expense, to have access to the unit area at all times, and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment and other property, and to have access at reasonable times to information and data in the possession of unit operator concerning the unit area;

(e) Furnish to each of the other parties who make timely written request therefor copies of all drilling reports, well logs and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting such samples;

(f) Comply with the terms and conditions of the unit agreement and all valid applicable federal and state laws and regulations; and

(g) Keep the land in the unit area free from liens and encumbrances occasioned by its operations, except such liens as the working interest owners elect to contest, and save only the lien granted the unit operator under this agreement.

3.3 Unit Operator - Restrictions. The unit operator shall not do any of the following things without the consent of the working interest owners obtained as herein provided:

(a) Locate, drill, deepen or plug back any well or let any contract therefor. The approval of the drilling, deepening or plugging back of any well shall be construed to mean and include the approval of any necessary expenditures incurred in completing and equipping such well, including flow lines, separators and necessary tankage if a producer, and if a dry hole, the plugging and abandonment thereof, except as otherwise provided in Article V hereof;

(b) Make any expenditures in excess of Fifteen Thousand Dollars (\$15,000.00) for any one single project. Operator shall furnish copies of its "Authority for Expenditures" for any such items.

(c) Make any expenditure for expert technical advice, including any extra services rendered by unit operator's technical staff, not contemplated by the provisions of Exhibit "D" attached hereto, and not covered by the overhead, district and camp expenses therein authorized, which overhead in Exhibit "D" is intended to cover only normal development and operations;

(d) Make any partial relinquishment of the rights of the unit operator;

(e) Abandon any well which has been completed as a producing well or dispose of any major items of surplus material or equipment, other than junk, having an original cost of Three Thousand Dollars (\$3,000.00) or more (any such item or items of less cost may be disposed of without such approval), except as may otherwise be provided herein;

(f) Designate the lands to be included in any participating area or enlargement thereof, or submit for approval any plan for the development and operation of the unit area or any participating area or supplement or amendment thereto in accordance with the provisions of the unit agreement;

(g) Determine whether to drill a demanded offset well or pay compensatory royalty;

(h) Drill or abandon any injection wells or convert any well into an injection well; and

(1) Determine not to pay the annual rental, advance rental or delay rental under any lease.

In case of blowout, explosion, fire, flood or other sudden emergency, unit operator may take such steps and incur such expense as, in its opinion, are required to deal with the emergency and to safeguard life and property; provided that, unit operator shall, as promptly as possible, report the emergency to the other parties and shall endeavor to secure any sanction that might otherwise have been required.

Subject to the provisions of this agreement, unit operator shall have full control of the premises subjected hereto and shall conduct and manage the development and operation of unitized lands for the production of unitized substances therefrom for the account of the parties hereto.

3.4 Designation of Representatives: Each working interest owner shall in writing inform unit operator of the names and addresses of its representative and alternate who are authorized to represent such working interest owner with respect to unit operations. The representative or alternate may be changed from time to time by written notice to unit operator.

3.5 Meetings: All meetings of working interest owners shall be called by unit operator upon its own motion or at the request of two (2) or more working interest owners. No meeting shall be called on less than fourteen (14) days advance written notice, with agenda for the meeting attached. Working interest owners who attend the meeting shall not be prevented from amending items included in the agenda or from deciding the amended item or other items presented at the meeting. The representative of unit operator shall be chairman of each meeting.

3.6 Voting Procedure: Working interest owners shall decide all matters coming before them as follows:

3.6.1 Voting Interest: Each working interest owner shall have a voting interest equal to its percentage of participation as set out in Column 6 of Exhibit "C" hereof.

3.6.2 Vote Required: Working interest owners shall act upon and determine all matters coming before them by an affirmative vote

of 75% of the voting power of the working interest owners having leasehold interests committed to the unit agreement; provided, however, should any one working interest owner have 75% or more voting interest its vote must be supported by the vote of one or more working interest owners having a combined vote of at least 5%.

3.6.3 Vote at Meeting by Nonattending Working Interest Owner:

Any working interest owner who is not represented at a meeting may vote either by written proxy or by letter or telegram addressed to the representative of the unit operator, provided such letter or telegram is received prior to the submission of such item to vote. If the vote is by letter or telegram such vote shall not be counted with respect to any item on the agenda which has been materially changed at the meeting.

3.6.4 Poll Votes: Working interest owners may vote on and decide, by letter or telegram, any matter submitted in writing to working interest owners, if no meeting is requested as provided in Section 3.5 within seven (7) days after the proposal is sent to working interest owners. Unit operator shall give prompt notice of the results of the voting to all working interest owners.

3.7 Unit Operator - Liabilities: Unit operator shall not be liable to any of the working interest owners for anything done or omitted to be done by it in the conduct of operations hereunder while acting in compliance with Section 3.2(a) hereof. The provisions of this section shall not relieve operator of its duty to obtain the consent of the working interest owners in accordance with the provisions of Section 3.6.

3.8 Resignation or Change of Operator: Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than six (6) months given to all other parties.

In the event of either sale of its interest or resignation of Operator, all parties to this contract shall select, by majority vote in interest, a new Operator who shall assume the responsibilities and duties and have the rights prescribed for Operator by this agreement; provided that, should one party to this agreement then own more than a majority of the working interest within the Unit Area, a concurring vote of one additional party

shall be necessary for selection of a new Operator. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

The resignation or change of Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest under this agreement, but upon the resignation or change of Operator becoming effective and the designation of a successor Operator, such Operator shall deliver possession of all equipment, material and appurtenances used in conducting the Unit operations and owned by the working interest owners to the newly designated successor Operator or to the owners thereof if no

such new Operator is selected, to be used for the purposes of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment or appurtenances needed for the preservation of any wells.

ARTICLE IV

COST OF OPERATIONS

4.1 Cost of Operations and Accounting Procedure: Except as herein otherwise specifically provided, operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the unit area pursuant to the unit agreement and this agreement and shall charge, in accordance with the applicable percentages set forth in Exhibit "C", each of the parties hereto with its respective proportionate share upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "D". If any provisions of Exhibit "D" should be inconsistent with any provision contained in the body of this agreement, the provisions of this agreement shall prevail.

4.2 Advances: Operator, at its election, shall have the right from time to time to demand and receive from the other parties which are participating in the unit operation then being carried on payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ten percent (10%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that such party shall bear and pay its proportionate part of actual costs incurred, and no more.

4.3 Taxes: All of the jointly owned personal property within the unit area shall be rendered by the unit operator for ad valorem

taxes if necessary. The unit operator shall pay all ad valorem taxes rendered or assessed against said properties, and all such amounts so paid by the unit operator shall be charged to the joint account of the parties hereto. All other taxes which may be levied upon or against the respective leasehold interests or measured by the production of unitized substances allocated to the respective tracts under the terms of the unit agreement and this agreement shall be paid by the respective working interest owners having interests in such tracts. In the event any party hereto owns less than the entire seven-eighths leasehold interest covered by this agreement, the obligation of such party hereunder shall be adjusted so as to reflect a credit for payments based upon values assigned to and made on the basis of outstanding excess royalties, overriding royalties and production payments.

4.4 Insurance:

The unit operator shall carry insurance for the benefit of the joint account covering operations upon the unit area subject to the unit operating agreement as follows:

- (a) Workmen's compensation insurance: In compliance with the workmen's compensation laws of the State of New Mexico, including employer's liability.
- (b) Comprehensive general liability insurance, excluding products: A single combined limit of \$500,000 each accident for bodily injuries or death and property damage.
- (c) Automobile public liability and property damage insurance with a single combined limit of \$500,000.00 each accident for bodily injuries or death and property damage.

If under the laws of the jurisdiction in which operations are conducted Operator is authorized to be a self-insurer, Operator may elect to be a self-insurer under such laws and in such event Operator shall charge to the joint account, in lieu of any premiums for such insurance, a premium equivalent limited to amounts determined by applying manual insurance rates to the payroll. The Operator shall not be required to carry any other insurance for the joint account. Operator shall require all third party contractors performing work in or on the premises covered hereby to carry such insurance and in such amounts as Operator shall deem necessary.

4.5 Unit Operator's Lien: Unit Operator is given a first and preferred lien on the interest of each party covered by this agreement, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to unit operator.

In the event any party fails to pay any amount owing by it to unit operator as its share of such costs and expenses or such advance estimate within the time limited for payment thereof, unit operator, without prejudice to other existing remedies, is authorized at its election (unless there is a bona fide dispute) to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the unit area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon unit operator's statement as to the amount owing by such party.

4.6 Lien of Non-Operators: Each Non-Operator shall have a lien on the working interest of Operator in the Unit Area and on the oil and gas produced therefrom and on the proceeds thereof to secure the payment of any amount that may at any time become due and payable by Operator to such Non-Operator under the terms of this agreement, together with interest thereon as herein provided.

ARTICLE V

WELLS

5.1 Initial Test Well: Within six (6) months after the effective date of the unit agreement, unit operator shall commence operations upon the initial test well which is required to be drilled pursuant to the provisions of Section 9 of the unit agreement, unless such test well is commenced prior to the effective date of the unit agreement. Said test well shall be located in the Northeast Quarter (NE/4) of Section 28, Township 25 South, Range 27 East, N.M.P.M., Eddy County, New Mexico and shall be drilled in compliance with Section 9 of the unit agreement and applicable regulations of the New Mexico Oil Conservation Commission;

(said well shall be drilled to a depth sufficient to test to the base of the Pennsylvanian Age, but in no event below a depth of 12,500 feet.) The drilling of said test well may be discontinued at lesser depth if granite or other practically impenetrable substance should be encountered, or if all of the parties hereto agree to complete the well at a lesser depth; provided that, in the event difficulty should be encountered in drilling which results in the loss of the hole, making it necessary that the hole be abandoned, a substitute well may be commenced within thirty (30) days after such abandonment, and such substitute well shall be considered the same as the initial test well, and all provisions hereof applicable to the initial test well shall be applicable to the substitute well. Notwithstanding any other provision herein contained relating to the substitute well, it is agreed that when the above conditions are encountered that would make it necessary for the initial test well to be abandoned, Operator shall give written notice to all parties (participating in the initial well) regarding details of the proposed substitute well and such parties shall have a 48 hour period, exclusive of Saturday, Sundays and holidays, in which to elect to join in the drilling of said substitute well, and any such party electing not to participate shall be considered for all purposes, as to said substitute well, as a "non-consenting party" under Article 5.5 hereof.

Unit operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil or gas in sufficient quantities to warrant testing.

All costs incurred in drilling, completing and placing said well on production, if completed as a producer, and of plugging and abandoning the same, if completed as a dry hole, shall be borne only by the parties hereto as shown in Column 5 of Exhibit "C" attached hereto and made a part hereof.

In the event of the discovery of unitized substances in paying quantities, the initial test well shall be completed and placed on production as such wells are usually and customarily completed in accordance with good oil field practices and all casing, tubing, wellhead connections, flow lines, tanks and other equipment which may be installed in or used in connection with said well shall be owned by the parties participating in the cost of drilling said well in the proportions shown in Column 5

of said Exhibit "C" until said well shall have paid out as herein provided.

For the purpose of this agreement the initial test well, or the substitute well therefor, shall be considered as being paid out

as of 7:00 A. M. on the first day following the day in which the parties hereto have recovered out of production after deducting all royalty, overriding royalty, or any other payments out of production, severance, ad valorem and production taxes apportionable thereto, that portion of the actual cost of drilling, completing, testing and equipping said well (including necessary wellhead connections, flow lines, tanks, pumping and other equipment in connection with said well), together with all costs of operating said well during the payout period. Unit operator shall furnish to all of the parties hereto, as soon as possible, and in any event within sixty (60) days from the date of the completion of said well, an itemized statement of the cost of drilling, testing, completing and placing the well on production, and the unit operator shall also furnish to the parties hereto monthly reports showing the unitized substances produced, saved and marketed from said well and the operating costs incurred in connection therewith. All costs incurred in connection with said well shall be in accordance with the Accounting Procedure attached hereto as Exhibit "D".

From and after the time of payout of the initial test well as herein provided, the overriding royalties herein provided for to be paid to Rodman and Huber shall terminate, and Rodman and Huber shall thereafter be entitled to receive their proportionate part of the production of unitized substances from said well on the basis of their respective interest as shown in Column 6 of Exhibit "C" and the parties hereto shall own their proportionate parts of all equipment installed in or used in connection with production from said well the same as if said parties had participated in the cost of drilling and completing the initial test well according to the percentage set forth in Column 6 of said Exhibit "C".

Costs for the drilling of the initial or substitute test well shall be billed on the ownership as set forth in Column 5 of Exhibit "C".

5.2 Modification of Drilling Requirements of Unit Agreement: The unit operator may apply for and obtain an extension or extensions of time within which to comply with the drilling requirements as provided for in said unit agreement, and any such application or applications may be made without the consent of any of the working interest owners subscribing hereto as parties hereto; however, operator shall advise all working interest owners of any such application at least ten (10) days prior to filing same.

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

5.4 Development and Operation Subsequent to Discovery of Substances in Paying Quantities: After the discovery of unitized substances in paying quantities on the unit area, unit operator shall only drill such wells as may be provided for in any plan of development and operation for the unit area or amendment or supplement thereto filed and approved as provided by Section 9 of the unit agreement after approval by the parties hereto as provided by Section 3.3 hereof, and all such wells shall be drilled for the joint account of the parties hereto and the production of unitized substances therefrom shall be allocated to said parties as provided on Column 6 or Column 7 of Exhibit C, depending upon the ownership interval to which the well is projected. Provided however, the drilling, deepening, completing, plugging back or reworking of any such well shall be subject to the nonconsent provisions of Section 5.5 hereof.

5.5 Operations by Less Than All Parties: If all of the parties cannot mutually agree upon the drilling of any well on the unit area (other than the initial test well provided for in Section 5.1), or upon the reworking, deepening, or plugging back of a dry hole drilled

at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the unit area, any party or parties wishing to drill, rework, deepen, or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except where a drilling rig is on location the period shall be limited to forty-eight (48) hours exclusive of Saturdays, Sundays, holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "non-consenting party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "consenting parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be), actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the consenting parties in the proportions that their respective interests bear to the aggregate interests of the consenting parties. Consenting parties shall keep the leasehold involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the consenting parties. If such an operation results in a dry hole, the consenting parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer

of oil or gas in paying quantities, the consenting parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to unit operator and shall be operated at the expense and for the account of the consenting parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by consenting parties in accordance with the provisions of this section, each non-consenting party shall be deemed to have relinquished to consenting parties, and consenting parties shall own and be entitled to receive, in proportion to their respective interests, all of such non-consenting party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) 300% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 9.2, and 300% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such non-consenting party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the consenting parties shall be permitted to use, free of cost,

all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged, and upon abandonment of a well after such reworking, plugging back or deeper drilling, the consenting parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the consenting parties shall furnish each non-consenting party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the consenting parties are being reimbursed as above provided, the consenting parties shall furnish the non-consenting parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a non-consenting party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such non-consenting party shall revert to it as above provided. If there is a credit balance it shall be paid to such non-consenting party.

If and when the consenting parties recover from a non-consenting party's relinquished interest the amounts provided for above, the relinquished interests of such non-consenting party shall automatically revert to it and from and after such reversion such non-consenting party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such non-consenting party would have owned had it participated in the drilling, reworking,

deepening or plugging back of said well. Thereafter, said non-consenting party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, Exhibit "D", attached hereto.

No well drilled by less than all parties pursuant to the provisions of this Section 5.5 shall be completed as a gas well in the same formation as any other gas well then producing, or capable of producing, gas in paying quantities from the unit area unless the same be located on a regular well spacing or proration unit established for the area by the New Mexico Oil Conservation Commission so that the well density in the same formation will not be greater than that established or prescribed by the Commission for said area. No well drilled or completed by less than all of the parties pursuant to the provisions of this Section 5.5 shall be completed as an oil well in the same formation as any other oil well then producing from the unit area if, as a result of the completion of said well, there would exist on the unit area a well density in the same formation of more than one producing oil well to a proration unit.

If any party hereto shall hereafter create any overriding royalty, production payment or other burden against its working interest production, and if any other party or parties should conduct non-consent operations pursuant to the provisions of this Section 5.5 and as a result become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement and the non-participating party creating such burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

Consent to the drilling of a well shall be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, Operator shall give immediate notice to Non-Operators. The parties receiving such notice

shall have forty-eight (48) hours (exclusive of Saturday or Sunday or holiday) in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to reply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all of the parties. If one or more, but less than all, of the parties elect to set pipe and to attempt a completion, the provisions of this Article 5.5 shall apply to the operations thereafter conducted by less than all parties. The provisions of this paragraph shall not be available to any party who shall have elected to be a non-consenting party in drilling the well.

If any party elects to become a non-consenting party hereunder then no consenting party shall be required to carry its proportionate share of the non-consenting party's interest unless it has agreed to do so.

5.6 Abandonment of Producing Wells: No well, other than any well which has been drilled or reworked pursuant to Section 5.5 hereof for which the consenting parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of Exhibit "D", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the unit area to the aggregate of the percentages of participation in the unit area of all assignees. There shall be no readjustment of interests in the remaining portion of the unit area.

After the assignment, the assignors shall have no further responsibility, liability or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, unit operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional costs and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VI

RENTALS AND SHUT-IN WELL PAYMENTS

6.1 Rentals: Each party holding the record title to an oil and gas lease subject to this agreement shall, before the due date, pay all rentals which may become due under the lease or leases contributed by it, and each party paying such rentals or royalties shall within ten (10) days after the payment thereof, but at least ten (10) days prior to the due date, notify unit operator of such payment. Unit operator shall furnish similar information as to its leases to the other parties hereto upon request. The financial burden of paying rentals shall fall entirely upon the party holding the record title and required to make the particular payment. Rental payments shall not be charged to the joint account, but any other party hereto, other than the record title holder, having an interest therein, shall reimburse the party paying such rentals for such party's proportionate part thereof. In the event of failure to make proper payment of any rental through mistake or oversight, where such payment is required to continue a lease in force (it being understood that any such failure shall not be regarded as a title failure within the meaning of any other provision of this agreement), there shall be no monetary liability on the part of the party charged with the responsibility of making such payment, but such party shall make a bona fide effort to secure (at its sole cost and expense) a new lease covering the same interest and in the event of failure to secure a new lease within a reasonable time the interests of the parties shall be revised so that the party or parties charged with the responsibility of bearing the particular payment will not be credited with the ownership of their lease which was lost because of failure properly to make a required rental payment.

6.9 Shut-in Well Payments: If any well is completed on the unit area pursuant to the unit agreement as a gas well and is shut-in due to the lack of a market or for any other reason, unit operator shall notify all of the parties hereto and thereof and shall make a bona fide effort to pay any shut-in royalties which may become due and payable on account of such well and charge the same to the joint account of the parties hereto in proportion to their respective rights to participate in the production from such well pursuant to the provisions of this agreement; provided that, unit operator shall suffer no liability for inadvertent failures to pay shut-in gas well royalties hereunder.

ARTICLE VII

RIGHT TO TAKE PRODUCTION IN KIND

7.1 Each party shall take in kind or separately dispose of its proportionate share, as set out in Column 2 of Exhibit "C", of all oil and gas produced from the unit area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered all royalties, overriding royalties or other payments due on its share of such production and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the unit area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the unit area, unit operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which unit

operator receives for its portion of the oil and gas produced from the unit area. Any such purchase or sale by unit operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, unit operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale, and without first securing the prior written authorization of such sale by such other party. Any such purchases or sale by Operator shall be for such reasonable periods of time only as is consistent with the minimum needs of the industry and shall in no event exceed one year.

ARTICLE VIII

CHANGE OF OWNERSHIP

8.1 Maintenance of Unit Ownership: For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the unit area and in wells, equipment and production unless such disposition covers either:

(a) the entire interest of the party in all leases and equipment and production; or

(b) an equal undivided interest in all leases and equipment and production in the unit area.

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

If at any time the interest of any party as set forth in Column 6 or Column 7 of Exhibit "C" is divided among and owned by four or more co-owners, unit operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with and with power to bind the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the unit area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

Should a sale be made by unit operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new unit operator. If a new unit operator is not so selected, the transferee of the present unit operator shall assume the duties of and

act as unit operator. In either case, the retiring unit operator shall continue to serve as unit operator, and discharge its duties in that capacity under this agreement until its successor unit operator is selected and begins to function, but the present unit operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

8.2 Termination of Interest and Withdrawal of Party: Should any party at any time desire to surrender any lease committed to the unit agreement and the other parties should not agree thereto the party desiring to surrender shall assign, without express or implied warranty of title, subject to the approval of the Bureau of Land Management as to federal lands and the Commissioner of Public Lands as to state lands, all of such party's interest in such lease to the other parties hereto in proportion to the interests then severally held by them on an acreage basis in the unit area. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective interests bear to the aggregate of their interests in the unit area on an acreage basis. Such assignment shall be free and clear of all liens and encumbrances except all lease burdens existing as of the effective date of the unit agreement and upon delivery thereof the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned.

Likewise, if any party hereto so desires it may withdraw from this agreement by assigning, without warranty either express or implied, all of such party's interest committed to the unit agreement to the other parties hereto or if all of said parties are not willing to accept the assignment, to those who are willing to accept such assignment upon the same terms and conditions as hereinabove set forth.

All assignments made pursuant to the provisions of this Section 8.2 shall include all of the assignor's interest in all wells, casing, material, equipment, fixtures and other personal property belonging to the joint account. Such assignment shall not relieve assignor from any obligation or liability accruing or incurred prior to the date thereof;

provided, however, the assignees shall pay the assignor for its interest in such casing, material, equipment, fixtures and other personal property owned by the joint account on the basis of the salvage value thereof determined in accordance with the Accounting Procedure attached hereto as Exhibit "D".

8.3 Subsequent Joinder: Prior to commencement of operations under the unit agreement, all owners of working interests in the unit area who have joined in the unit agreement shall be privileged to join in this agreement by subscribing to the unit agreement and this agreement. After commencement of operations under the unit agreement, however, subsequent joinder in the unit agreement and this agreement by any party owning a working interest in the unit area shall be on such reasonable terms and conditions as the parties who are then committed to the unit agreement and this agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Overriding Royalties and Other Lease Burdens: All overriding royalties, production payments or other lease burdens payable out of the working interest production from the respective leasehold interests committed to the unit Agreement shall be paid by the owner or owners of such lease or leases out of the unitized substances allocated to the respective tracts committed to the unit agreement and the percentages of participation of the parties hereto shown in Columns 5, 6, and 7 of Exhibit "C" attached hereto shall be subject to the payment of all such overriding royalties, production payments and other lease burdens. ~~It is agreed and stipulated that the overriding royalty interest of J. M. Huber Corporation and The Radman Corporation in the initial test well prior to pay out, as reflected in Column 5 on Exhibit "C", shall be free of all such overriding royalties, production payments and other lease burdens and The Radman Corporation shall bear such burdens in their entirety during said payout period.~~

9.2 Contributions Toward Drilling: Any contribution, either in money or property interest, toward the drilling of any well drilled on the unit area pursuant to the provisions of this agreement shall be shared by the parties hereto in proportion to their participating interests in such well; provided, however, participation in acreage contributions shall be optional with the respective parties.

9.3 Provisions Conformed with Laws and Regulations: All of the provisions of this agreement are hereby expressly made subject to all valid, enforceable and applicable federal or state laws, orders, rules and regulations, and in the event this contract or any provisions hereof are found to be inconsistent with or contrary to any such law, order, rule or regulations, the latter shall be deemed to control, and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

9.4 Notices: All notices authorized or required by any of the provisions of this agreement shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the addresses shown opposite the signatures of the respective parties hereto. The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

9.5 Liability of Parties: The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the unit area. Accordingly, the lien granted by each party to unit operator in Section 4.5 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

9.6 Income Tax Election, Subchapter K, of Chapter 1, Subtitle A, Internal Revenue Code: Notwithstanding any provisions herein that the rights and liabilities of the parties hereto are several and not joint

or collective, or that this agreement and the operations hereunder shall not constitute a partnership, if for federal income tax purposes this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects that it be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulations promulgated thereunder. Operator is hereby authorized and directed to execute such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements and data required by the Code and applicable regulations. Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State of New Mexico, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided in Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by it from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

9.7 Force Majeure: If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonable full particulars concerning it; thereupon, the obligations

of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

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

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

9.8 Effective Date and Term: This agreement shall become effective as of the effective date of the unit agreement and shall remain in full force and effect during the term of said unit agreement and any and all extensions or renewals thereof, and in the event of the termination of the unit agreement for any reason, this agreement shall continue in full force and effect as to all wells which have not been plugged and abandoned as of the time of the termination of the unit agreement, and the rights and interests of the parties hereto in such wells and their participation in the production therefrom and in the cost of the operation thereof shall be governed by the provisions hereof and this agreement with respect thereto shall remain in full force and effect so long as any such well is capable of producing oil or gas in paying quantities and thereafter until all accounts hereunder are closed.

9.9 Gas Storage Agreement: Attached hereto as Exhibit "E" and made a part hereof is a Gas Storage Agreement which, subject to the terms hereof, shall be applicable to the gas produced from the Unit Area hereunder.

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

IN WITNESS WHEREOF, this agreement is executed by the undersigned parties hereto as of the day, month and year first hereinabove written.

AMOCO PRODUCTION COMPANY,

By _____

Attorney-in-Fact

Address: P. O. Box 3092
Houston, Texas 77001

APPROVED

UNIT OPERATOR AND WORKING INTEREST OWNER

WORKING INTEREST OWNERS

The Rodman Corporation
P.O. Box 8826
Odessa, Texas

XXX Miller Corporation
1900 Wilco Building
Midland, Texas 79701

Debus Development Corporation
P.O. Box 2208
Dallas, Texas 75221

Coquina Oil & Gas Company
1800 Gulfing XXXX Southwest
Midland, Texas 79701

EXHIBIT "E"

(Consisting of 2 Pages)

GAS STORAGE AGREEMENT

Attached to and made a part of the Pavo Mesa Unit
Operating Agreement, dated March 1, 1974,
Eddy County, New Mexico

The parties to the Operating Agreement to which this gas storage agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "C" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not able to market its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which is unable at any time while this agreement is in effect to take the share of gas attributable to the interest of such party, the terms of this storage agreement shall automatically become effective.

During the period or periods when any party hereto has no market for its share of gas produced from the Unit Area, or its purchaser is unable to take its share of gas produced from the Unit Area, the other parties shall be entitled to produce each month one hundred percent of the allowable gas production assigned to such Unit by the New Mexico Oil Conservation Commission and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this gas storage agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser. Each party unable to market its share of the gas produced shall be credited with gas in storage equal to its share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, and the total quantity of liquid hydrocarbons recovered therefrom.

At all times while gas is produced from the Unit Area, each party producing and/or delivering gas to its purchaser shall pay any and all production taxes due on such gas and the lessor's royalty in accordance with the Unit Agreement described in Article I of the Operating Agreement to which this Exhibit "E" is attached and each such party producing and/or delivering gas shall furnish or cause to be furnished to the Unit Operator a monthly statement of its gas sales. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its share of the gas produced from the Unit Area. In addition to its share, each party, including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to a purchaser a volume of gas equal to twenty five percent of its share of gas produced.

EXHIBIT "E"

(Consisting of 2 Pages)

GAS STORAGE AGREEMENT

Attached to and made a part of the Pavo Mesa Unit
Operating Agreement, dated March 1, 1974,
Eddy County, New Mexico

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In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not able to market its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which is unable at any time while this agreement is in effect to take the share of gas attributable to the interest of such party, the terms of this storage agreement shall automatically become effective.

During the period or periods when any party hereto has no market for its share of gas produced from the Unit Area, or its purchaser is unable to take its share of gas produced from the Unit Area, the other parties shall be entitled to produce each month one hundred percent of the allowable gas production assigned to such Unit by the New Mexico Oil Conservation Commission and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this gas storage agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser. Each party unable to market its share of the gas produced shall be credited with gas in storage equal to its share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, and the total quantity of liquid hydrocarbons recovered therefrom.

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After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its share of the gas produced from the Unit Area. In addition to its share, each party, including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to a purchaser a volume of gas equal to twenty five percent of its share of gas produced.

In the event production of gas from the Unit Area permanently ceases prior to the time that the accounts of the parties have been balanced, it is agreed that a complete balancing will be accomplished by a money settlement as between the parties. Such settlement shall be based upon the price received by the overproduced party or parties for the overproduced gas which was sold by such party in the order of accrual.

This agreement shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

EXHIBIT "B"
APPLE DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
T-25-S, R-27-E

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
FEDERAL LANDS							
1	Sec 33: NE/4 NW/4, W/2 W/2	200.00	NM 2366 6-1-77	USA - 12.5%	Amoco Production Co.	Eddy Land Co. P/P of \$750.00/ac. payable from 5% of 8/8.	Amoco - All
2	Sec 33: SE/4	160.00	NM 3063 9-1-77	USA - 12.5%	Duncan Miller		Duncan Miller - All
3	Sec 33: SE NE	40.00	NM 18218 5-1-83	USA - 12.5%	Beard Oil Co.		Beard Oil Co. - All
4	Sec 34: E/2 SW/4	480.00	NM 24941 11-1-83	USA - 12.5%	Amoco Production Co.	Eugene L. Lathan 5% of 8/8. Eddy Land Co. P/P of \$187.50/ac. payable from 1-1/4% of 8/8.	Amoco - All
5	Sec 28: N/2, N/2 S/2, S/2 SW. Sec 27: All	1200.00	NM 26103 4-1-81	USA - 12.5%	Dalco Oil Co.	Bob Enfield 5% of 8/8. Sabastian Mill 2% of 8/8.	Sabine Production Co. All
6	Sec 21: N/2 S/2	160.00	NM 26104 4-1-81	USA - 12.5%	El Paso Nat. Gas		El Paso Nat. Gas - All
7	Sec 21: N/2 NW, NW NE	120.00	NM 29012 10-6-86	USA - 12.5%	Amoco Production Co.	Larry Labelle 4% of 8/8. Rocky Mountain Petroleum 1% of 8/8.	Amoco - All
8	Sec 34: NE/4	160.00	NM 29629 0-0-87	USA - 12.5%	Mary F. Allen		Mary F. Allen - All
8 Tracts		Federal Land	2520 Acres	65.62%			

EXHIBIT "B"
APPLE DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
T-25-S, R-27-E

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
STATE LANDS							
9	Sec 21: NE/4 NE/4, S/2 NE, S/2 S/W	280.00	L-4382-1 4-21-80	State of New Mexico - 12.5% Co.	Amoco Production	None	Amoco - All
10	Sec 22: All	640.00	L-3653 10-21-79	State of New Mexico - 12.5%	Mesa Pet. Company		Mesa Pet. Co. - All
2 Tracts			State Land	920 Acres	23.96%		
FEE LANDS							
11	Sec 21: S/2 NW	80.00	5-17-77	J. C. Wyman, Wm. Diesher	El Paso Nat. Gas		El Paso Nat. Gas - All
12	Sec 28: S/2 SE/4, Sec 33: N/2 NE, SW NE, SE NW, E/2 SW.	320.00	10-25-78	Chas. Hollebeke, W. M. Jones, J. E. Reed, W. R. Reed - 18.75% Co.	Amoco Production	None	Amoco - All
2 Tracts			Fee Land	400 Acres	10.42%		

EXHIBIT "B"
APPLE DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
T-25-S, R-27-E

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
	TOTAL FEDERAL ACREAGE.....		2520 acres....or....	65.62%			
	TOTAL STATE ACREAGE.....		920 acres....or....	23.96%			
	TOTAL FEE ACREAGE.....		400 acres....or....	10.42%			
	TOTAL ACRES, 12 TRACTS.....		3840 acres....or....	100.00%			

GA/jt
X/9381

APPLE DRAW UNIT AGREEMENT TO ACCOMPANY EXHIBIT "A"

EDDY COUNTY, NEW MEXICO

LEGEND

STATE LAND [diagonal lines]

FEDERAL LAND [horizontal lines]

FEE LAND [dotted lines]

TRACT NUMBER [circle]

UNIT BOUNDARY [solid line]

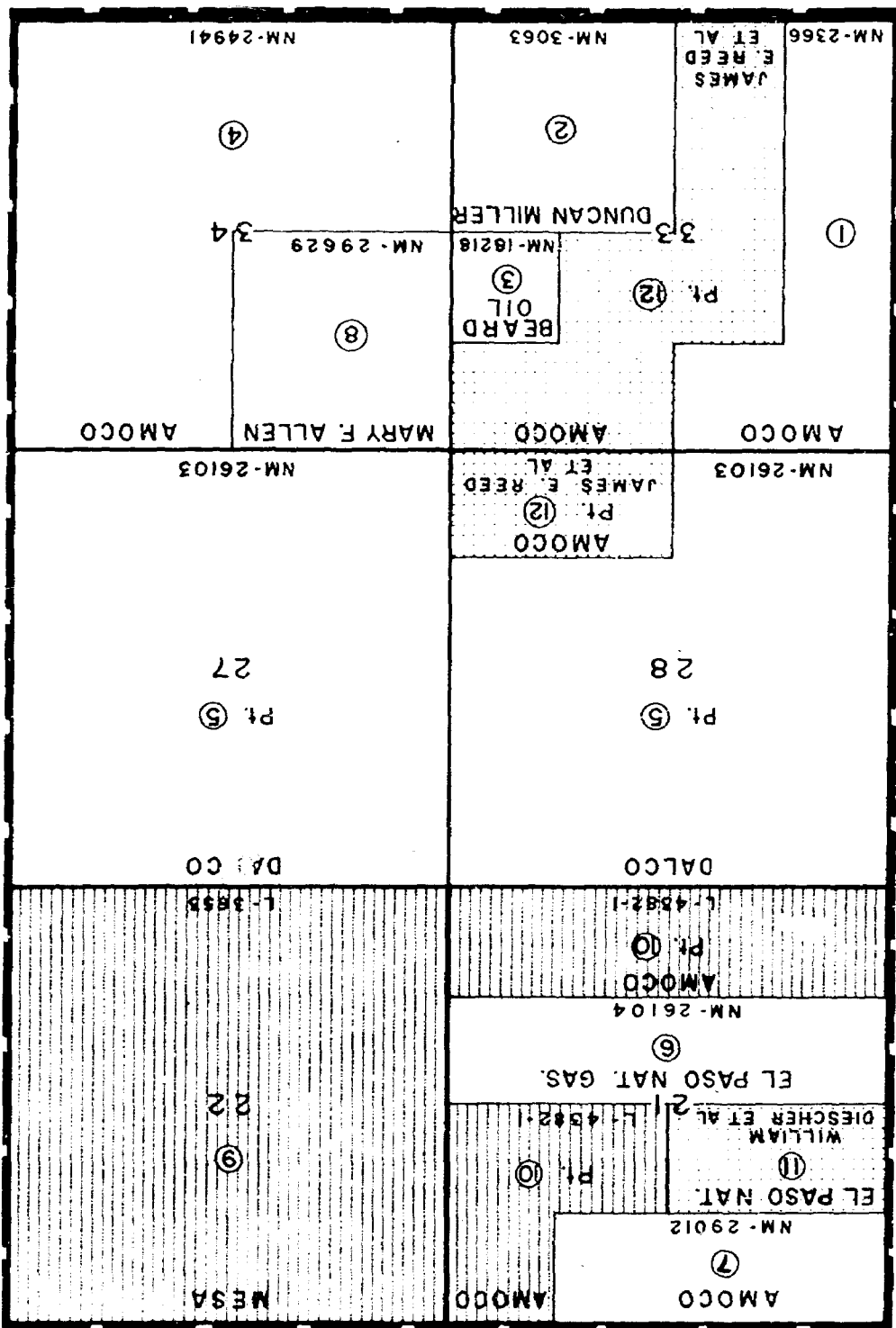
NOTE:

TOTAL STATE ACREAGE--- 920.00

TOTAL FEE ACREAGE--- 400.00

TOTAL FEDERAL ACREAGE--- 2520.00

TOTAL ACRES IN UNIT--- 3840.00



S
25
T

R 27 E

STATE LEASES	L - 3653	L - 4382-1
FEDERAL LEASES	NM-2366	NM-24941
	NM-3063	NM-18218
	NM-26103	NM-26104
	NM-29012	NM-29629

EXHIBIT "B"
APPLE DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
T-25-S, R-27-E

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
FEDERAL LANDS							
1	Sec 33: NE/4 NW/4, W/2 W/2	200.00	NM 2366 6-1-77	USA - 12.5%	Amoco Production Co.	Eddy Land Co. P/P of \$750.00/ac. payable from 5% of 8/8.	Amoco - A11
2	Sec 33: SE/4	160.00	NM 3063 9-1-77	USA - 12.5%	Duncan Miller		Duncan Miller - A11
3	Sec 33: SE NE	40.00	NM 18218 5-1-83	USA - 12.5%	Beard Oil Co.		Beard Oil Co. - A11
4	Sec 34: E/2 SW/4	480.00	NM 24941 11-1-83	USA - 12.5%	Amoco Production Co.	Eugene L. Lathan 5% of 8/8. Eddy Land Co. P/P of \$187.50/ac. payable from 1-1/4% of 8/8.	Amoco - A11
5	Sec 28: N/2, N/2 S/2, S/2 SW. Sec 27: A11	1200.00	NM 26103 4-1-81	USA - 12.5%	Dalco Oil Co.	Bob Enfield 5% of 8/8. Sabastian Mill 2% of 8/8	Sabine Production Co. A11
6	Sec 21: N/2 S/2	160.00	NM 26104 4-1-81	USA - 12.5%	El Paso Nat. Gas		El Paso Nat. Gas - A11
7	Sec 21: N/2 NW, NW NE	120.00	NM 29012 10-6-86	USA - 12.5%	Amoco Production Co.	Larry Labelle 4% of 8/8. Rocky Mountain Petroleum 1% of 8/8	Amoco - A11
8	Sec 34: NE/4	160.00	NM 29629 0-0-87	USA - 12.5%	Mary F. Allen		Mary F. Allen - A11
8 Tracts		Federal Land	2520 Acres	65.62%			

EXHIBIT "B"
APPLE DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
T-25-S, R-27-E

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERKIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
STATE LANDS							
9	Sec 21: NE/4 NE/4, S/2 NE, S/2 S/W	280.00	L-4382-1 4-21-80	State of New Mexico - 12.5% Co.	Amoco Production	None	Amoco - All
10	Sec 22: All	640.00	L-3653 10-21-79	State of New Mexico - 12.5%	Mesa Pet. Company		Mesa Pet. Co. - All
2 Tracts			State Land	920 Acres	23.96%		
FEE LANDS							
11	Sec 21: S/2 NW	80.00	5-17-77	J. C. Wyman, Wm. Diesher	El Paso Nat. Gas		El Paso Nat. Gas - All
12	Sec 28: S/2 SE/4, Sec 33: N/2 NE, SW NE, SE NW, E/2 SW.	320.00	10-25-78	Chas. Hollebeke, W. M. Jones, J. E. Reed, W. R. Reed - 18.75%	Amoco Production	None	Amoco - All
2 Tracts			Fee Land	400 Acres	10.42%		

EXHIBIT "B"
APPLE DRAW UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
T-25-S, R-27-E

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDE ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
	TOTAL FEDERAL ACREAGE.....	2520	acres...or....	65.62%			
	TOTAL STATE ACREAGE.....	920	acres...or....	23.96%			
	TOTAL FEE ACREAGE.....	400	acres...or....	10.42%			
	TOTAL ACRES, 12 TRACTS.....	3840	acres...or....	100.00%			

GA/jt
X/9381

EXHIBIT "A" TO ACCOMPANY APPLE DRAW UNIT AGREEMENT EDDY COUNTY, NEW MEXICO SCALE: 1" = 2000'

NOTE:

TOTAL STATE ACRES----- 920.00

TOTAL FEE ACRES----- 400.00

TOTAL FEDERAL ACRES----- 2520.00

TOTAL ACRES IN UNIT----- 3840.00

LEGEND

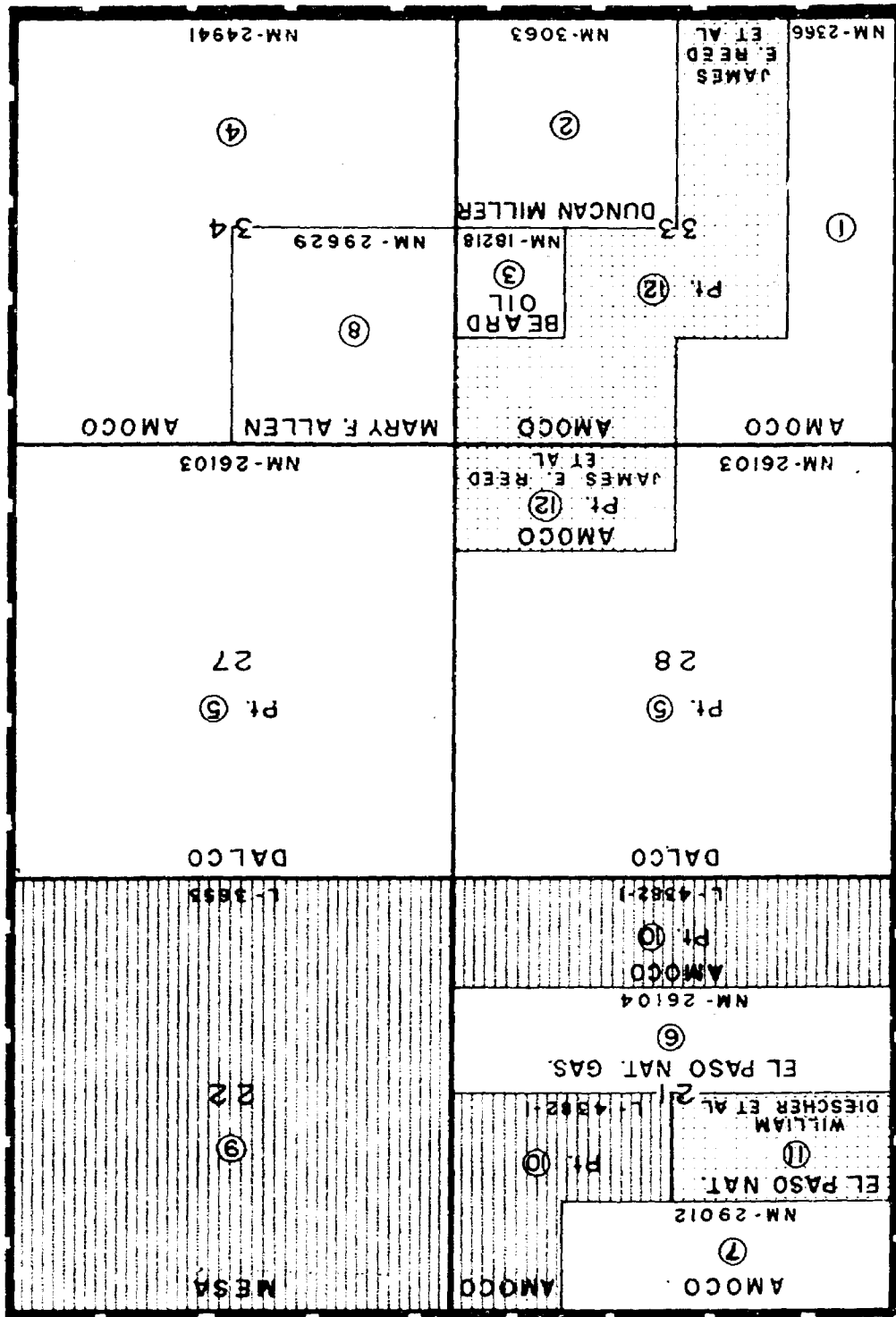
STATE LAND

FEDERAL LAND

FEE LAND

TRACT NUMBER

UNIT BOUNDARY



STATE LEASES

L - 3653

L - 4382-1

FEDERAL LEASES

NM-2366

NM-3063

NM-18218

NM-24941

NM-26103

NM-29012

NM-29629

S 25 T

R 27 E

DRAFT

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

n
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5902

Order No. R- 5424

By
APPLICATION OF AMOCO PRODUCTION COMPANY
FOR APPROVAL OF THE APPLE DRAW UNIT
AGREEMENT, EDDY COUNTY, NEW MEXICO.

Order
ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 20, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of April, 1977, the Commission,
a quorum being present, having considered the record and the recom-
mendations of the Examiner, and being fully advised in the premises,

FINDS:

That the applicant's request for dismissal should be
granted.

IT IS THEREFORE ORDERED:

That Case No. 5902 is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year hereinabove
designated.

