UNIT OPERATING AGREEMENT
SAN JUAN 29-7 UNIT AREA

THIS AGREEMENT, made and entered into this 7th day of December, 1953, by and among El Paso Natural Gas Company, a Delaware corporation, hereinafter sometimes referred to as "Unit Operator", and such other parties owning working interests subject to the Unit Agreement for the Development and Operation of the San Juan 29-7 Unit Area as may execute this agreement, hereinafter sometimes called "Nonoperators", all parties being sometimes referred to as "Working Interest Owners",

W I T N E S S E T H :

WHEREAS, the parties hereto are also parties to that certain Unit Agreement for the Development and Operation of the San Juan 29-7 Unit Area, County of Rio Arriba, State of New Mexico, hereinafter called the "Unit Agreement" embracing the following described land:

New Mexico Principal Meridian:

Township 29 North, Range 7 West
Sections 1 through 36, All

Containing 22,500.14 acres, more or less

WHEREAS, the parties hereto, in accord with the provisions of Sections 7 and 12 of the Unit Agreement, desire to provide for the apportionment of costs and benefits among Working Interest Owners and to establish related operating arrangements;

NOW, THEREFORE, premises considered, the parties hereto mutually agree that:

1. UNIT AGREEMENT CONFIRMED.

The Unit Agreement, including the exhibits thereto, is hereby confirmed and adopted and made a part of this agreement. Terms employed in this agreement shall bear the same meaning as given them in the Unit Agreement. The unit area shall be developed and operated for the production and handling of unitized substances in accord with the Unit Agreement and this Unit Operating Agreement. In the event of any inconsistency or conflict between provisions of this agreement and the Unit Agreement, Unit Agreement shall prevail.

2. TITLES.

a. Each of the parties hereto represents to all other parties hereto that its ownership of oil, gas and mineral interests in the unit area is correctly stated in the schedule attached as Exhibit B to the Unit Agreement. In the event

such representation of any party is erroneous or the title of any party hereto fails, in whole or in part, the interests of the parties hereunder shall be accordingly adjusted to the end that no party shall be credited with interests that it does not own. Parties contributing acreage to the unit and receiving credit hereunder therefor shall, subject to the provisions of Section 2c below, bear the entire loss occasioned by any failure of title or defect in their title or encumbrance thereon and shall save the other parties hereto harmless from any obligation or liability on account thereof. All title curative expense and all costs and expenses incurred in defending or establishing title to any interest in the unitized substances shall be borne by the party or parties hereto who claim such interest.

b. Within ~~fifteen (15)~~ thirty 30 days following its execution of this agreement, each Working Interest Owner shall furnish to the Unit Operator copies of its leases, operating agreements or other documents upon which it relies as establishing its ownership of working interests, together with copies of its rental receipts or other evidence satisfactory to establish that such leases, agreements and/or other documents remain in full force and effect. It shall also furnish any title data in its possession relating to its working interest ownership, including the title opinion of its attorney and any curative instruments acquired in relation thereto. Where outstanding title requirements have not been satisfied, the Working Interest Owner whose title is affected shall proceed to satisfy such title requirements with due diligence and furnish proof of the satisfaction thereof to the Unit Operator.

c. As a prerequisite to the drilling of any well hereunder, Unit Operator shall satisfy itself as to title + obtain a title opinion by a competent attorney or attorneys selected by it, based upon examination of complete abstract of title certified to date and/or the official county and/or state or federal records as well as examination of the material submitted pursuant to Section 2b above, approving title for drilling purposes to the quarter or half section Drilling Block (where the well is to be drilled to the Mesaverde or shallower formations) or to the appropriate spacing unit (where the well is to be drilled to formations below the Mesaverde) upon which the well is to be located; provided, however, that Unit Operator shall not be required to re-examine title to any Drilling Block or spacing unit for the drilling of any second or subsequent well thereon. The party or parties owning working interests in such Drilling Block or spacing unit shall furnish such abstracts promptly as

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required and shall satisfy title requirements made by the examining attorney, at such party's or parties' sole expense, without delay in order that the drilling obligation stated in the Unit Agreement shall be timely performed. Costs of title examination shall be charged as a part of the cost of drilling the well. Approving opinion of title as a prerequiste of drilling may be waived upon approval of the owners of eighty per cent (80%) of the working interest committed to the unit. Any party hereto interested in obtaining the drilling of a well may post a bond in form satisfactory to the Unit Operator in an amount equal to one and one-half times the estimated cost of the proposed well, conditioned to protect all parties hereto against any loss of their investment in the well by reason of title failure, whereupon the requirement herein for an approving opinion of title will be waived. If title subsequently fails to any tract or tracts, the title to which has been cleared for drilling under this section, the Working Interest Owner thereof shall bear the entire loss in participation in unitized substances produced after such title failure which would be attributable to the leasehold estate or working interest in such tract under the terms of this agreement, but shall not be obligated to save any parties hereto harmless from any other loss occasioned thereby except to the extent of any indemnity agreement which may have been executed as hereinabove provided.

3. APPORTIONMENT OF COSTS AND BENEFITS. P.C. - M.V. & All other form. above base of M.V. (prod. in pay. gran-

Except as herein otherwise expressly provided, all costs, expenses and liabilities accruing or resulting from exploration, development, operation and maintenance of the unitized land shall be borne, and all unitized substances produced hereunder and other benefits accruing hereunder shall be owned and shared, by the Working Interest Owners who have executed the Unit Agreement and this agreement, as follows:

A. P.C.
B. M.V.
C. other above
D. Below M.V.

a. (1) Costs and benefits accruing in the development and operation of any Drilling Block (as defined in Section 11 of the Unit Agreement) prior to its admission into a participating area shall be borne and shared in the proportion that the acreage owned by each of such Working Interest Owners owning working interests in the Drilling Block bears to the total of working interests owned by all such Working Interest Owners owning working interests in the Drilling Block. (2) Costs and benefits accruing or resulting from development and operation of any participating area shall be borne by such Working Interest Owners owning interests in such participating area in the

same proportion that the interest owned by each bears to the total of interests owned by all such Working Interest Owners in said participating area. Except for the adjustment in investment in the Field Facilities as hereinafter provided, no adjustment of investment or previously incurred costs shall be made upon the admission of a Drilling Block into the participating area, but upon such admission all equipment used for the operations of the participating area shall thenceforth be owned by the Working Interest Owners in the enlarged participating area in the same proportions as provided herein for their sharing of costs and benefits. Notwithstanding the foregoing, however, when any Drilling Block is admitted to the participating area prior to the completion thereon of a well capable of producing unitized substances in paying quantities from the formation to which such participating area is applicable, Unit Operator shall comply with the obligation imposed by the Unit Agreement to drill a well thereon to the horizon from which production is being secured in the participating area, and all costs of drilling, completing, testing and equipping such well to produce shall be charged to and borne by such Working Interest Owners owning working interests in such Drilling Block in the proportions which the interests of each bear to the aggregate of all the interests of all such Working Interest Owners within said Drilling Block. Any such well shall be owned and operated for the benefit of parties owning interests in the participating area in the same manner as other wells in such participating area. Upon admission of a Drilling Block into a participating area, there shall be an adjustment of the cost of Field Facilities among all such Working Interest Owners in the enlarged participating area so that the cost of Field Facilities allocable to the enlarged participating area shall be borne by such Working Interest Owners in proportion to their participation in costs and benefits of operation of the enlarged participating area. Where Field Facilities serve more than one participating area, costs and ownership thereof shall be allocated between participating areas on a well basis and shall be adjusted upon drilling of additional wells so that each participating area shall bear such costs and own such Field Facilities in the proportion that the number of wells within such participating area, which upon their completion, shall have been capable of producing unitized

substances in paying quantities, bears to the total number of such wells within the unit area. No adjustment between participating areas shall be made on account of the cessation of production in paying quantities from any well or wells. "Field Facilities", as that term is used in this section, shall mean facilities which are installed for serving the entire unit operation, such as, but not limited to, warehouses, field offices, camps, gathering systems, field tankage other than that serving a particular well or Drilling Block, power stations and power lines, water stations and water lines. Costs of Field Facilities shall be deemed to be the tangible and intangible costs thereof as reflected by the Operator's books, depreciated at the rate of four per cent (4%) per annum, or fractional portion thereof, up to the period an adjustment is required. In the event book costs cannot be determined on certain classifications of equipment, the current market prices in effect as of the date a Drilling Block is admitted to the participating area shall be used as a basis for pricing. Roads shall not be considered a part of Field Facilities. Roads required for the drilling of all wells shall be charged as a part of the drilling costs and borne by the same party or parties as are required to pay the costs of drilling such wells. There will be no reallocation of road costs. In the event any well or wells capable of producing unitized substances in paying quantities shall have been completed prior to the effective date of this agreement, such well or wells shall be turned over to the Unit Operator for operation hereunder on the first day of the month following the said effective date of this agreement, and the half section Drilling Block on which each such well is located shall constitute or become a part of the participating area for the formation in which such well is completed. Likewise, if any Working Interest Owner shall have started any well but it shall not have been completed on the effective date of this agreement, such Working Interest Owner shall proceed with due diligence to complete the drilling of such well and, if dry, to plug and abandon it or, if a producer, to test, complete and equip it to produce and then turn it over to the Unit Operator for operation hereunder. Adjustment for any such well or wells shall be only as hereinabove provided.

b. The cost of drilling, equipping and completing any well projected to a depth below the base of the Mesaverde formation, which is not required to be drilled pursuant to orders of the Supervisor, Commissioner or Commission under the provisions of the Unit Agreement, and the cost of plugging and abandoning same if a dry hole shall be paid only in accord with an agreement to be reached by the Working Interest Owners participating in the drilling of such well, each in the proportion that its ownership of working interest on an acreage basis within the unit area bears to the total of all such interests participating in the drilling of such well. In the event any such well so drilled shall encounter unitized substances in paying quantities so as to justify the establishment of a participating area or the enlargement of an existing participating area for the formation encountered, such participating area or enlargement shall be formed as provided in the Unit Agreement. On the establishment of any participating area, there shall be a retroactive adjustment of the cost of drilling, completing and equipping for production and operating of the said well and of the cost of Field Facilities, to the end that the owners of working interests in the participating area newly established shall reimburse without interest the party or parties who paid for the costs and expenses of drilling, completing and equipping for production and operating the well less any income derived by said party or parties up to the date of settlement, and thereafter the costs incurred and benefits derived from the operation of the well shall be borne by and shall inure to the benefit of the Working Interest Owners in the participating area in proportion to their ownership of interests therein. On the enlargement of any participating area, there shall be an investment adjustment between the owners of working interests in the enlarged participating area, to the end that the investment within the enlarged participating area, including the investment in the allocated portion of Field Facilities, shall be paid for by the affected Working Interest Owners in the enlarged participating area in proportion to the interests

of each therein and in proportion to their shares in the costs of operation and revenue to be derived from the enlarged participating area, and also to the end that the parties who have previously paid said costs shall be reimbursed on the basis hereinafter set forth. The affected Working Interest Owners in the participating area before its enlargement shall receive credit for the intangible cost of drilling, completing and equipping for production all wells capable of producing unitized substances situated within said participating area. The costs to be so credited shall be measured by the average cost of drilling, completing and equipping for production wells of like character and depth in the field in a good and workmanlike manner at the time when said wells were drilled. Credit shall also be given for the casing and other tangible properties and facilities installed in the wells or used in connection with the operation thereof at a percentage of the original cost, such percentage to be determined as provided in the Accounting Procedure. The affected Working Interest Owners on any tract outside of the participating area that is to be admitted to the enlarged participating area shall likewise receive credit for the intangible cost of drilling, completing and equipping any wells on their respective lands so admitted, together with the value of the tangible equipment, facilities and structures located thereon and used in connection therewith, on the basis above set out. The sum total of all credit shall be the investment cost apportionable to the enlarged participating area. The investment adjustment shall be made by cash settlement among the Working Interest Owners through the Unit Operator. No credit shall be given for the previous cost of operating any wells or repairing or maintaining other property, nor shall there be any debit for or on account of production taken from wells prior to the effective date of the enlargement of the participating area.

4. ROYALTY AND OTHER PAYMENTS OUT OF PRODUCTION.

One-eighth (1/8) of all of the unitized substances produced hereunder, or the proceeds thereof, shall be set aside for the payment or delivery in kind, as the case may be, in accord with underlying leases and other documents requiring payment of royalties, by the Unit Operator or the Working Interest Owner in accord with Section 12 of the Unit Agreement. Where any working interest is burdened by royalties in excess of one-eighth (1/8) or by overriding royalties, oil payments or other payments out of production, the required payment in excess of one-eighth (1/8) shall be borne by the owner of the working interest so burdened. Before receiving its proportionate share of the unitized substances produced hereunder or the proceeds

thereof, each Working Interest Owner shall pay or secure the payment of any such excess royalties or other payments constituting a burden upon its working interest.

5. RENTALS

Each Working Interest Owner whose interest is chargeable with rentals, minimum royalties in excess of the royalties on actual production, or other payments in the nature of rentals required to maintain its working interest rights, shall properly pay such rentals, minimum royalties or other payments. The inadvertent failure of any party to properly make such payments shall not subject such party to liabilities hereunder except to the extent hereinabove provided in the event of loss of title.

6. TEST WELLS.

Unit Operator is hereby authorized and directed to carry out the drilling program outlined in Section 10 of the Unit Agreement. Subject to obtaining the necessary approval of State and Federal authorities as therein required, it is agreed that locations for the required wells shall be as follows:

Approximate Center SW/4 Section 13, T-29-N, R-7-W
Approximate Center NE/4 Section 35, T-29-N, R-7-W

Said wells shall be drilled in such sequence as may be determined by the Unit Operator.

7. DETERMINATIONS BY MAJORITY VOTE.

In any matter in which the action of the Unit Operator requires the concurrence of the working interest parties hereto or any of them, Unit Operator will be governed by the decision of the owners of a majority of the working interest in the participating area, or the nonadmitted Drilling Block, as the case may be, unless otherwise specified herein or in the Unit Agreement, determined in the proportion that the acreage interest of each such party in the participating area or such affected Drilling Block bears to the total acreage interest in the participating area or affected Drilling Block. Matters affecting the unit area as a whole shall be determined in accordance with the proportionate acreage interest as above defined in the entire unit area. In any case where one working interest party hereto holds such a majority in interest, but less than the full working interest in the area affected, his vote shall require the concurrence of one additional party in order to constitute the controlling vote.

In any case in which it is necessary to poll the working interest parties hereto, Unit Operator shall notify all affected Working Interest Owners in writing of the question for decision and its recommended course of action. Each such Working

Interest Owner shall within ten (10) days of receipt of such notice advise Unit Operator in writing of its decision thereon. Within five (5) days thereafter Unit Operator shall notify each affected Working Interest Owner in writing of the result of such poll. In the event that any Working Interest Owner fails to advise Unit Operator in writing of its decision, within the 10-day period above provided, it shall be conclusively presumed that its decision is in accord with the course of action originally recommended by Unit Operator, except that, if the matter for decision is one where the nonresponding Working Interest Owner might elect, pursuant to the provisions of this agreement, not to participate originally in some element of cost or expense but instead to pay his share thereof out of production or the proceeds thereof, it shall be conclusively presumed that such nonresponding Working Interest Owner elects to follow that latter course.

The Unit Operator, except when otherwise required by governmental authority, shall not do any of the following without first obtaining the approval of such a majority interest, as provided above, in the affected participating area or Drilling Block or unit area, as the case may be:

a. Make any expenditure in excess of Five Thousand Dollars ($5,000.00) other than normal operating expenses, except in connection with a well, the drilling of which has been previously authorized by or pursuant to this agreement; provided, however, that nothing in this paragraph shall be deemed to prevent Unit Operator from making an expenditure in excess of said amount if such expenditure becomes necessary because of a sudden emergency which may otherwise cause loss of life or extensive damage to property. In the event of such emergency expenditure, Unit Operator shall, within fifteen (15) days after making such expenditure, give written notice to the other parties.

b. Make any arrangement for the use of facilities owned by the Working Interest Owners in the operation and development outside the unit area or determine the amount of any charges therefor unless otherwise provided for in this agreement or in the Unit Agreement.

c. Dispose of any major items of surplus material or equipment having original cost of One Thousand Dollars ($1,000.00) or more, other than junk. Any such item or items of less cost may be disposed of without such consent.

d. Submit to the Supervisor, Commissioner and Commission any plan for

further development of the unit area or application for expansion or contraction of the unit area or of any participating area.

e. Abandon any well which is producing unitized substances.

8. DRILLING OF ADDITIONAL WELLS.

a. In addition to the required wells, all other wells which Unit Operator is required to drill under the terms of the Unit Agreement or to comply with valid orders of governmental authorities having jurisdiction in the premises shall be drilled by Unit Operator for the account of the Working Interest Owners owning interests in the affected unit area, participating area or Drilling Block, as the case may be, as hereinabove provided. Unit Operator will also drill appropriate development wells within participating areas in accord with plans of development adopted by a majority vote of affected Working Interest Owners in accord with Section 7 above. Unit Operator will drill wells to the Mesaverde or any shallower formations at regular well locations outside of the applicable participating area upon request of the Working Interest Owner or Owners owning one hundred per cent (100%) of the working interest within the Drilling Block upon which the well is to be located. Such wells shall be drilled in order of their request and approval by applicable governmental authorities.

b. Unit Operator will not drill any well without the mutual consent of all the parties hereto other than as provided in Subsection "a" of this Section 8, except as hereinafter provided. Any Working Interest Owner owning a part of the working interest in a Drilling Block desiring that a well be drilled thereon to the Mesaverde or any shallower formation outside of the participating area established hereunder for such formation, or any Working Interest Owner owning working interest in acreage constituting a spacing unit for wells drilled to any formation below the Mesaverde desiring that a well drilled thereon to such deeper

formation, shall so notify Unit Operator, specifying the proposed location, objective depth and estimated cost of such well. Upon receipt of such notice the Unit Operator shall advise those other Working Interest Owner parties hereto who, under the provisions of this agreement, would be required to share the cost and risk of the proposed well. Each such party shall, by responsive notice given to the Unit Operator within thirty (30) days of receipt of the aforesaid notice, elect as to whether such party desires to join in the drilling of such well. Failure to respond within said thirty (30) days shall be deemed an election not to join in the drilling of the proposed well. If all of said parties elect to join, the well shall be drilled for the account of all such parties in accord with the preceding provisions of this agreement. If less than all of such parties elect to join in the drilling of such well, Unit Operator shall, upon obtaining required governmental approvals, proceed with due diligence to drill such well at the sole cost and risk of the party or parties electing to share in the costs thereof, hereinafter called the "drilling parties". In the event any such well is a dry hole (and is not taken over for plug back or deepening), it shall be plugged and abandoned at the sole cost of the drilling parties. In the event such well is a producer, it shall be tested, completed and equipped to produce by the Unit Operator at the sole cost of the drilling parties, and such drilling parties each in proportion to its contribution to the cost of drilling, testing, completing and equipping the well shall be entitled to receive the proceeds of production from the well or, if it is capable of producing in paying quantities, shall be entitled to receive the proceeds of production allocable to the interests admitted to the participating area on account of such well, after deducting therefrom all royalties, overriding royalties, production payments and one hundred per cent (100%) of the operating expenses attributable thereto, until said drilling parties shall have received therefrom one hundred fifty per cent (150%) of the costs of drilling, testing, completing and equipping said well to produce. For the purposes of this section, where a party takes in kind, the proceeds of production from such well shall be computed upon the same price basis as that employed for payment of royalties to the United States on comparable production from the unit area. When the drilling parties shall have been reimbursed for one hundred fifty per cent (150%) of said costs as hereinabove provided, proceeds from the well shall thereafter be shared by the Working Interest Owners within the participating area in the manner stipulated in Section 3 above. Any amounts which may be realized from sale or disposition of the well or equipment thereon, or required in connection with the drilling, testing,

completing, equipping and operating thereof, shall be paid to the drilling parties and credited against the total unreturned portion of said one hundred fifty per cent (150%) with the balance thereof, if any, to be divided as provided in Section 3 above among the parties owning the well. Locations of all wells drilled under this provision must be in accord with the spacing pattern adopted by the Unit Operator for the formation to which the well is projected.

9. OPTION TO TAKE OVER WELLS.

If any well drilled under this agreement is a dry hole and the party or parties owning the well are ready to abandon it but the well can be plugged back or deepened to a different formation, Unit Operator shall so notify the Working Interest Owners in the affected unit area, participating area or Drilling Block, as the case may be, and such parties shall have the right to take over said well and cause the Unit Operator to plug back or deepen it, as the case may be, and to complete it for the account of the parties owning working interests in the unit area, participating area or Drilling Block, as the case may be, upon effecting an investment adjustment so as to reimburse the party or parties who shall have borne the cost of drilling said well for either their cost of drilling to the depth at which the well is taken over (computed in accordance with the Accounting Procedure attached hereto) or for the average cost of drilling from the surface to the formation in which the well is to be completed, whichever is the lesser amount. Working Interest Owners so notified hereunder shall respond as provided in Section 7. If one or more but less than all, of the affected working interest parties elects to take the well over, then Unit Operator shall take it over and conduct the specified operation for the account of the electing party or parties, and such party or parties shall be entitled to recover one hundred fifty per cent (150%) of their costs in acquiring, deepening or plugging back, testing and completing the well in the same manner as provided in Section 8b above; provided, however, that where fifty per cent (50%) of the affected Working Interest Owners elect to take the well over for use in satisfying the obligation to drill a well hereunder, the well shall be drilled for the account of all of the affected Working Interest Owners. In the event any one well is completed as a paying producer in more than one formation, the Working Interest Owners of the respective participating areas established for such formations shall arrange for appropriate allocation of investment and operating costs of such well by separate agreement.

10. CHARGES FOR DRILLING OPERATIONS.

All wells drilled on the unit area shall be drilled on a competitive contract basis at the usual rates prevailing in the field. Any Working Interest Owner or Owners may bid and contract to use its or their tools and equipment in the drilling of any wells on the unit area. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of wells. In such event, the cost of drilling shall include, but shall not be limited to, the following charges: (a) all direct material and labor costs, (b) a proportionate amount of applicable departmental overheads and undistributed field costs, (c) rental charge on company equipment employed; all such charges to be determined in accordance with operator's accounting practice, provided that, in no event shall the total of such charges exceed the prevailing rate in the field 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.

11. ACCESS TO OPERATIONS AND INFORMATION.

Representatives of each party hereto shall have free access to the entire unit area at all reasonable times to inspect and observe operations of every kind and character thereon. Each party hereto shall have access at all reasonable times to any and all information pertaining to wells drilled, production secured, and to the books, records and vouchers relating to the operation of the unit area. Unit Operator shall, upon request, furnish to the other parties hereto daily drilling reports, true and complete copies of well logs and other data relating to wells drilled, and shall also, upon request, make available samples and cutting from any and all wells drilled on the unit area.

12. DISPOSITION OF PRODUCTION.

Each of the parties hereto shall take in kind or separately dispose of its proportionate share of the unitized substances produced hereunder, exclusive of production which may be used in development and producing operations of the unit area and in preparing and treating oil for marketing purposes, and production unavoidably lost. In the event any party hereto shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the unitized substances, Unit Operator shall have the right for the time being and subject to revocation at will by the party owning same to purchase such unitized substances or to sell the same to

others at not less than the market price prevailing in the area. Each party hereto shall be entitled to receive direct payment for its proportionate share of the proceeds from the sale of unitized substances produced, saved and sold from the unit area, and on all purchases or sales each party shall execute any division order or contract of sale pertaining to its interest. Any extra expenditure incurred by reason of the taking in kind or separate disposition by any party hereto of its proportionate share of the production shall be borne by such party.

13. PIPE AND OTHER TUBULAR GOODS.

Notwithstanding any limitations of the Accounting Procedure, Exhibit A, during such times as tubular goods and other equipment are not available at the nearest customary supply point Unit Operator shall be permitted to charge the joint account of parties responsible hereunder for all tubular goods and other equipment transferred from Unit Operator's warehouse or other stocks to the unit area for use on a particular participating area or Drilling Block, as the case may be, with such costs and expenses as may have been incurred in purchasing, shopping, and moving the required tubular goods and other equipment to the unit area; provided, however, that each affected Working Interest Owner shall be given the opportunity, in lieu of bearing its proportionate part of such costs, of furnishing in kind or in tonnage, as the parties may agree, its share of such tubular goods and other equipment required.

14. ADVANCES.

Each of the parties hereto shall promptly pay and discharge its proportionate part of all cost and expense on the basis set forth in the Accounting Procedure attached as Exhibit A. Unit Operator, at its election, may require the parties hereto to advance their respective proportion of development and operating costs according to the following conditions: On or before the first day of each calendar month, Unit Operator shall submit an itemized estimate of such costs for the succeeding calendar month to each of the parties hereto with a request for the payment of such party's proportionate part thereof. Within ten (10) days thereafter each of such parties shall pay, or secure the payment in a manner satisfactory to Unit Operator, such party's proportionate share of such estimate. Unit Operator shall credit each Working Interest Owner with the advances so made. Should any party fail to pay or secure the payment of such party's proportionate part of such estimate, the same shall bear interest at the rate of six per cent (6%) per annum until paid. Adjustments between estimates and actual costs shall be made by Unit

Operator at the close of each calendar month and the accounts of the parties adjusted accordingly.

15. OPERATOR'S LIEN.

Unit Operator shall have a lien on the interest of each of the parties in the unit area, unitized substances produced therefrom, the proceeds thereof and the material and equipment thereon, to secure the payment of such party's proportionate part of the cost and expense of developing and operating the unitized lands and to secure the payment by any such party of such party's proportionate part of any advance estimate of such cost and expense. Unit Operator shall protect such property from all other liens arising from the operations hereunder.

16. INSURANCE.

Unit Operator, during the term hereof, shall purchase or provide protection comparable to that afforded under standard form policies of insurance for workmen's compensation with statutory limits, employer's liability insurance with a limit of at least $25,000 and general public liability insurance with limits of at least $30,000/$60,000. Unit Operator shall charge to the joint account an amount equal to the premium applicable to the protection so provided. All losses not covered by standard form policies of insurance for hazards set out above shall be borne by the parties hereto as their interests appear at the time of any loss.

17. SURRENDER.

No party hereto shall surrender any of its working interests insofar as they relate to lands located within a participating area. However, should any party hereto at any time desire to surrender any of the oil and gas leases or operating agreements subject hereto, or any interest therein, insofar as they cover lands located outside such a participating area but within the unit area, it shall notify all other parties hereto in writing. Within thirty (30) days following receipt of such notice by the other parties hereto, the party desiring to surrender such working interests insofar as they affect such land may proceed to surrender the same if such right is reserved in the leases or operating agreement, unless any other party or parties hereto have, within said 30-day period, given written notice to the party desiring to surrender that they desire an assignment of said working interests insofar as they cover said land. In such event the party desiring to surrender shall assign, without express or implied warranty of title, and subject to existing covenants, contracts and reservations, all

its interest in such working interests insofar as they cover such land and the wells, material and equipment located thereon, to the party or parties desiring an assignment. Thereupon such assigning party shall be relieved from all obligations thereafter accruing (but not theretofore accrued) hereunder with respect to the interest assigned. From and after the making of such assignment, the assigning party shall have no further interest in the property assigned but shall be entitled to receive from the assignees payment for its interest therein in an amount equal to the salvage value of any salvagable material located on said land. If such assignment shall run in favor of more than one party hereto, the interest covered shall be shared by such parties in the proportion that the interest of each party assignee in the lands committed to the Unit Agreement bears to the total interest of all parties assignee in the lands committed to the Unit Agreement.

18. TAXES.

Unit Operator shall, for the joint account, render for ad valorem tax purposes the entire working interests in the unit area of all parties hereto and all personal property used in connection with operations hereunder, or such part thereof as may at any time be subject to taxation. Unit Operator shall also pay all such ad valorem taxes, at the time and in the manner required by law, which may be assessed upon or against all or any portion of such working interests and personal property. Each party shall pay its proportionate part of the total taxes so paid and expenses incurred in connection with the rendering and payment thereof in accord with Accounting Procedure, Exhibit A. Nothing herein shall relieve any Working Interest Owner of the consequence of any loss of title occasioned by failure of the landowner to pay ad valorem taxes levied against the land to which its working interest relates.

19. EMPLOYEES.

The number of employees, the selection of such employees, the hours of labor and the compensation for service to be paid any and all such employees shall be determined by the Unit Operator. Such employees shall be employees of Unit Operator.

20. LIABILITIES.

The liability of the parties hereunder shall be several and not joint or collective. Each party shall be responsible only for its obligations as herein set out and shall be liable only for its proportionate share of the cost of developing and operating the unit area as determined by the provisions hereof.

21. FORCE MAJEURE.

This agreement and the respective rights and obligations of the parties

hereunder shall be subject to all valid and applicable State and Federal laws, rules, regulations and orders, and in the event this agreement, or any provision thereof, is or the operations contemplated thereby are found to be inconsistent with or contrary to any such law, rule, regulation or order, the latter shall be deemed to control and this agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect. Unit Operator shall not be liable for any loss of property or of time caused by strikes, riots, fires, tornadoes, floods, inability to obtain tubular goods or other required materials or services or for any other cause beyond the reasonable control of Unit Operator in the exercise of due diligence.

22. NOTICES.

All notices that are required or authorized to be given hereunder shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, and addressed to the party to whom such notice is to be given at the address indicated for such party opposite its signature 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 response thereto shall run from the date the originating notice is received. The second or any subsequent responsive notice shall be deemed given when deposited in the United States post office or with the Western Union Telegraph Company with postage or charges prepaid.

23. FAIR EMPLOYMENT PRACTICES.

Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and an identical provision shall be incorporated in all subcontracts.

24. UNLEASED INTERESTS.

Should the owner of any unleased interest in lands lying within the unit area become a party to the Unit Agreement and this agreement, such unleased interest shall be treated, for all purposes of this agreement, as if there were an oil and gas lease covering such unleased interest on a form providing for the usual and customary one-eighth (1/8) royalty and containing the usual and customary "lesser interest clause" This agreement shall in no way affect the right of the owner of any such unleased interest to receive an amount or share of unitized substances equivalent to the royalty which would be payable or due under the terms of the Unit Agreement if such unleased interest were subject to such oil and gas lease.

25. EFFECTIVE DATE AND TERM.

This Unit Operating Agreement shall become effective as of the effective date of the Unit Agreement and shall remain in full force and effect during the life of such Unit Agreement. The terms hereof shall be considered as covenants running with the ownership of working interest committed hereto and shall be binding upon the heirs, personal representatives, successors and assigns of the parties hereto.

26. EXECUTION BY COUNTERPARTS.

This agreement may be executed in counterparts with the same force and effect as if all parties executing any counterpart hereof had executed one original document. It shall be binding upon all parties executing any counterpart hereof whether or not signed by all parties listed below as owning working interests. Any party owning working interests within the unit area may execute this agreement at any time prior to its effective date. Any such Working Interest Owner desiring to join subsequent to the effective date hereof shall be permitted to join only in accord with such terms and conditions as may then be agreeable to the Unit Operator.

EXECUTED as of the day and year first above written.

Attest:

A. C. Martch
Assistant Secretary

Bassett Tower
El Paso, Texas

EL PASO NATURAL GAS COMPANY

By _____
Vice President

UNIT OPERATOR AND WORKING INTEREST OWNER

WORKING INTEREST OWNERS

PHILLIPS PETROLEUM COMPANY

ATTEST:

R. E. ARNOLD Assistant Secretary
Bartlesville, Oklahoma MAR 10 1954

By: _____
H. E. KOOPMAN Vice President

SKELLY OIL COMPANY

ATTEST:

Assistant Secretary
Tulsa, Oklahoma MAR 9 1954

By: _____
Vice President

WORKING INTEREST OWNERS

ATTEST:

Assistant Secretary

Stanolind Building
Tulsa, Oklahoma

STANOLIND OIL AND GAS COMPANY

By: Frank Vice President

MAY 6 1954

ATTEST:

Assistant Secretary

Burt Building
Dallas, Texas

SOUTHERN UNION GAS COMPANY

By: Vice President

FEB 9 1954

ATTEST:

Assistant Secretary

Corrigan Tower
Dallas, Texas

THREE STATES NATURAL GAS COMPANY

By: Vice President

FEB 10 1954

ATTEST:

Assistant Secretary

Corrigan Tower
Dallas, Texas

DELHI OIL CORPORATION

By: W. W. Newton Vice President

FEB 11 1954

ATTEST:

Assistant Secretary

Denver, Colorado

THE BAY PETROLEUM CORPORATION

By: Vice President

APR 23 1954

ATTEST:

Assistant Secretary

Houston, Texas

SAN JACINTO PETROLEUM CORPORATION

By: Vice President

ATTEST:

Assistant Secretary

Box 1360
Albuquerque, New Mexico

PUBCO DEVELOPMENT, INC.

By: Vice President

FEB 25 1954

ATTEST:

Assistant Secretary

Farmington, New Mexico 3/5/54

BOLACK OIL AND GAS COMPANY

By: Vice President

ATTEST:

Assistant Secretary

Address:

By: Vice President

STATE OF Texas)
(
COUNTY OF Dallas)

On this 10th day of February, 1954, before me appeared W. A. Harrison, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of Pure Oil Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said W. A. Harrison acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

GLORIA WEIHS
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

Gloria Weihs
Notary Public in and for Dallas
County, State of Texas

STATE OF TEXAS)
(
COUNTY OF EL PASO)

On this 7 day of December, 1953, before me appeared H. F. STEER, to me personally known, who, being by me duly sworn, did say that he is the Vice President of El Paso Natural Gas Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. F. STEER acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Else M. Richardson
Notary Public, in and for El Paso County, Texas
My commission expires June 1, 1955

Else M. Richardson
Notary Public in and for
County, State of

STATE OF Texas)
(
COUNTY OF Dallas)

On this 6th day of February, 1954, before me appeared D. C. Bell, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Lawrence Tool & Equipment Corporation and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said D. C. Bell acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

Notary Public in and for
County, State of

STATE OF Texas)
COUNTY OF Dallas)

On this 11th day of February, 1954, before me appeared W. W. Newton, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Dallas Oil Corporation and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said W. W. Newton acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

6-1-55

Carl F. McClellan
Notary Public in and for Dallas County, State of Texas

CARL F. McCLELLAN
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1955

STATE OF New Mexico)
COUNTY OF Bernalillo)

On this 25th day of February, 1954, before me appeared Frank D. Graham Jr., to me personally known, who, being by me duly sworn, did say that he is the Vice President of Tubco Development, Inc. and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Frank D. Graham acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

My Commission Expires June 24, 1967

Mary Beth Hartman
Notary Public in and for
County, State of

STATE OF New Mexico)
COUNTY OF San Juan)

On this 3rd day of March, 1954, before me appeared Tom Brevard, to me personally known, who, being by me duly sworn, did say that he is the — President of Black Oil Co. and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Tom Brevard acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

My Commission Expires August 22, 1956

Notary Public in and for San Juan
County, State of New Mexico

STATE OF Colorado)
(City & COUNTY OF Denver)

On this 23 day of April, 195 4, before me appeared Leo L. Bobb, to me personally known, who, being by me duly sworn, did say that he is the Vice President of _____ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

My Commission Expires Dec. 3, 1957

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

My commission expires:

My Commission expires Dec. 3, 1957

Maybelle I. Bergstrom
Notary Public in and for Arapahoe County, State of Colorado

STATE OF Oklahoma)
(COUNTY OF Washington)

On this 10th day of March, 195 4, before me appeared H. E. KOOPMAN, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Phillips Petroleum Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said H. E. KOOPMAN acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

AUG 1 1955

Martha Rinehart
Notary Public in and for Wash. County, State of Okla.

STATE OF Oklahoma)
(COUNTY OF Tulsa)

On this 9th day of March, 195 4, before me appeared A. L. SUCHMAN, to me personally known, who, being by me duly sworn, did say that he is the Pres. President of KELLY OIL COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

Notary Public in and for
County, State of

Filed for Record
Tulsa County, Oklahoma

STATE OF Oklahoma)
(
COUNTY OF Tulsa)

On this 6th day of May, 195 4, before me appeared Frank Lindeman Jr., to me personally known, who, being by me duly sworn, did say that he is the Vice President of STANOLIND OIL AND GAS COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Frank Lindeman, Jr acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:
My Commission Expires October 4, 1955

Maxine McAdams
Notary Public in and for
County, State of Oklahoma

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 195___, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

_____

Notary Public in and for
County, State of

STATE OF)
(
COUNTY OF)

On this _____ day of _____, 195___, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

My commission expires:

_____

Notary Public in and for
County, State of

AMENDMENT AND SUPPLEMENT TO
SAN JUAN 29-7 UNIT OPERATING AGREEMENT
RIO ARRIBA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of January, 1960, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

W I T N E S S E T H: 53068

WHEREAS, the parties hereto are the owners of working interests in the Unit Area subject to the Unit Agreement for the Development and Operation of the San Juan 29-7 Unit Area, Rio Arriba County, New Mexico, designated Contract Number 14-08-001-1650, and subject to the Unit Operating Agreement for the San Juan 29-7 Unit Area (said Unit Operating Agreement hereinafter referred to as "Unit Operating Agreement"), reference to which is here made for all purposes; and

WHEREAS, the parties hereto desire to provide for the drilling and operation of wells to be completed in dual formations and for the sharing and allocation of costs and risks incident thereto.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed and do agree as follows:

ARTICLE I

Unit Agreement Confirmed

The Unit Agreement and all Exhibits attached thereto, are hereby confirmed and made a part of this agreement; and in the event of any conflict between the provisions of the Unit Agreement and the provisions of the Unit Operating Agreement, as amended and supplemented hereby, the provisions of the Unit Agreement shall prevail.

ARTICLE II

Unit Operating Agreement Amended

In order to prevent conflict between the provisions of this Amendment and Supplement and the provisions of the Unit Operating Agreement, the following quoted sentence in Section 9 of the Unit Operating Agreement is hereby deleted:

> "In the event any one well is completed as a paying producer in more than one formation, the Working Interest Owners of the respective participating areas established for such formations shall arrange for appropriate allocation of investment and operating costs of such well by separate agreement."

ARTICLE III

Supplement to Unit Operating Agreement

The provisions which follow in this Article III are supplemental to the Unit Operating Agreement and are hereby adopted as part of said Agreement.

1. Definitions

"Shallow Owners" - the working interest owners either in the Unit Area, Participating Area, drilling block or in less than the Unit Area, whichever is applicable, owning the working interest in and to the shallower formation of a well to be drilled or which is completed in two formations.

"Deep Owners" - the working interest owners either in the Unit Area, Participating Area, drilling block or in less than the Unit Area, whichever is applicable, owning the working interest in and to the deeper formation of a well to be drilled or which is completed in two formations.

2. Formula for Allocation of Costs for Drilling and Completing Dual Wells.

Whenever in this Agreement it is provided that costs will be borne by Shallow Owners and Deep Owners in accordance with Section 2, Article III, the following procedures will be used:

At the same time Shallow and Deep Owners separately agree to the drilling of a well to be projected to dual formations, both such categories of Owners shall approve an estimate prepared by Unit Operator of the total costs of drilling and completing said well to the wellhead in both formations. Such approval shall be obtained in accordance with Section 7 of the Unit Operating Agreement. The estimated total costs shall be divided into the following categories:

a) Costs to be incurred above the base of the shallower of the two formations, except those set forth in Subsection (c) hereof.

b) Costs to be incurred below the base of the shallower of the two formations.

c) Costs attributable to testing and completing in the shallower formation.

Upon completion of the well, the actual costs of drilling, completing, testing and equipping such well will be apportioned among the three categories set forth hereinabove, and these actual costs will be paid by the obligated parties as follows:

a) Costs incurred above the base of the shallower formation except those set forth in Subsection (c) hereof will be shared equally by and between Shallow Owners and Deep Owners.

b) The costs incurred below the base of the shallower formation shall be paid by Deep Owners.

c) Costs attributable to testing and completing in the shallower formation shall be paid by Shallow Owners.

3. Drilling and Completing Dual Wells. Costs of drilling, testing, treating, equipping and completing wells to the wellhead which are begun with the objective of dual completion and which are completed as dual wells shall be borne by Shallow Owners and by Deep Owners in accordance with the provisions of Section 2, Article III. Until admission into a participating area the material and equipment thereon shall be owned by the party or parties paying the cost thereof pursuant to Section 2, Article III. Shallow Owners and Deep Owners shall respectively own, subject to allocation to an appropriate participating area, all unitized substances produced from their respective formations. Upon abandonment of the well if dry in both formations, costs of plugging and abandoning shall be shared equally by and between Shallow Owners and Deep Owners. Upon the completed well being admitted into a participating area or areas, the ownership of equipment and materials shall pass to the owners of the participating area or areas in accordance with the terms of Section 3 of the Unit Operating Agreement.

4. Completion of Well in Shallower Formation but Abandoned as to Deeper Formation. In the event that a well begun with the objective of dual completion is drilled to the deeper formation and results in discovery of unitized substances in paying quantities in the shallower formation but is dry in the deeper formation, all costs of drilling, testing and treating shall be borne by the Shallow Owners and Deep Owners in accordance with Section 2, Article III. All costs of equipping the well shall be borne by Shallow Owners. Further, Shallow Owners shall pay to Deep Owners the salvable value of the material and equipment or share thereof paid for or furnished by Deep Owners. Thereafter Shallow Owners shall own all material and equipment acquired in the drilling and completing of said well. Shallow Owners shall own all unitized substances produced from the shallow formation and shall bear all costs of plugging and abandonment of the well.

5. Completion of Well in Deeper Formation but Abandoned as to Shallower Formation. In the event that a well begun with the objective of dual completion results in discovery of unitized substances in paying quantities in the deeper formation, but dry in the shallower formation, all costs of drilling, testing and treating shall be borne by the Shallow Owners and the Deep Owners in accordance with the provisions of Section 2, Article III. All costs of equipping the well shall be borne by Deep Owners. Further, Deep Owners shall pay to Shallow Owners the salvable value of the material and equipment or share thereof paid for or furnished by Shallow Owners. Thereafter, Deep Owners shall own all material and equipment acquired in the drilling and completion of such well. Deep Owners shall own all unitized substances produced from the deeper formation, and shall bear all costs of plugging and abandoning the well.

6. Abandonment as to one Formation after Completion of Well in Both Formations. In the event that, after completion of a dual well, the working interest owners of one formation should decide to abandon the well as to their formation, the working interest owners of the remaining producing formation shall pay to the working interest owners of the formation to be abandoned, the salvage value of equipment belonging to the owners of the formation to be abandoned. The owners of the formation to be abandoned shall pay for the abandonment of that formation. After payment of the amount provided for above, the working interest owners of the formation from which the well continues to produce shall own all of such equipment. The working interest owners of the producing formation, after abandonment as to the other formation, shall also bear all costs of plugging and abandoning upon later abandonment of the well as to their formation.

7. Deepening a Shallow Well or Converting a Deeper Well for Dual Completion. Before any well which is completed in a single formation may be deepened or perforated at a shallower depth for purposes of completion as a dual well, the working interest owners of both formations must approve the operation under the general

provisions of the Unit Operating Agreement. The payment to the owners of the single existing completion by the owners desiring to dual the well shall be a fair value representative of the well. If the operation should result in an impairment of production from, or a loss of, the existing well, the provisions of Section 10, Article III shall govern unless otherwise provided for in the approval.

8. Allocation of General Operating and Maintenance Costs in Dual Wells. After completion of a dual well, the costs of producing operations shall be borne by the working interest owners of the two formations as follows:

a) The completion in each separate formation shall be treated as a separate well for overhead and district and camp expense. Such expense shall be borne by the working interest owners of the respective formations as a separate cost allocable to their interest;

b) Each formation shall bear all costs of normal producing operations, including costs of labor, repairs, maintenance and replacement of equipment attributable to such formation. All costs of operations performed for the joint benefit of both formations shall be borne on a per well basis by the Shallow Owners to the extent of 50% of the total cost, and by the Deep Owners to the extent of 50% of total cost.

9. Allocation of Cost of Workover Operations for both Formations. After completion of a dual well, the costs of any workover or other operations on such well involving both formations shall be borne by the working interest owners of such formations as follows:

a) The costs of any operation which is directly related to one formation, including but not limited to operations such as treatments and perforations, shall be borne by the working interest owners of the formation for which the operation is performed.

b) All costs of material, equipment, repairs, replacements and labor not directly related to one formation, including but not limited to repair and correction of leaks which may result in communication between the two formations within the well bore shall be borne by the Shallow Owners to the extent of 50% of the total cost and by Deep Owners to the extent of 50% of the total cost.

c) Any material and equipment acquired by any such expenditures provided for in Subparagraph (a) and (b) above shall be owned by the Shallow Owners and the Deep Owners so as to be consistent with the ownership of the material and equipment as set forth in Section 3, Article III.

d) The working interest owners of each formation shall not be responsible for nor be charged with any loss of production from any other formations during any such operation.

10. Workover Operations of One Formation. After completion of a dual well, any subsequent workover, deepening, plugging back, or other operations or repair as to one formation only of such well, which requires a separation of the formations for the repair or other work on any portion of the well, shall be governed by the provisions which follow:

a) The proposed plan of operation must be approved in accordance with the voting procedure prescribed by Section 7 of the Unit Operating Agreement prior to commencement of operations by the working interest owners of the formation not to be worked upon, if there be no participating area; or the working interest owners of the participating area for the formation not to be worked upon, if such well be within a participating area for that formation; or by the working interest owners of such well, if it be excluded from the participating area; whichever is applicable.

b) The costs and expenses of any such operations will be borne by the working interest owners of the formation to be worked upon, or the working interest owners of the participating area for the formation to be worked upon or by the working interest owners of such well in the formation to be worked upon, whichever is applicable.

c) The working interest owners bearing the cost of the operation shall not be liable to the working interest owners of the formation not being worked upon for cessation of production during such operations for a period of time not exceeding a total of ninety (90) days. In the event such cessation of production during operations is for a longer period of time, the working interest owners of the formation being worked upon, hereinafter referred to as Remedial Owners, shall pay to the working interest owners of the formation not being worked upon, hereinafter referred to as Damaged Owners, damages in such amount as shall be determined by Remedial Owners and Damaged Owners jointly in accordance with the voting procedure prescribed by Section 7 of the Unit Operating Agreement for loss of production occurring after a ninety (90) day period.

d) If such operations disturb or remove the means of separation of the two formations in the well bore or otherwise require a cessation of production from the other formation not being reworked, the operator shall, before and after the operation, conduct a test of the well as to such other formation for the purpose of determining whether or not the producing capacity as to said formation has been impaired, by employing the procedure set forth as follows:

(1) For an oil well producing capacity will be measured by actual production obtained for thirty (30) producing days immediately preceding the workover and compared with the actual production for thirty (30) producing days immediately following the workover operations. If either the conditions or equipment have in any way been changed during the period of comparison, then the production figures obtained shall be corrected by calculation to account for any such change or changes.

(2) With respect to gas wells connected to a gas gathering system, the producing capacity shall be determined by the actual production before and after the workover

and shall be the thirty (30) days in which there was actual production into the line immediately before or after the workover as applicable with the well producing under similar pressure differential and other conditions. If the producing conditions or equipment size are different or the well is not connected to a gathering system, an appropriate applicable method will be utilized to determine the effect on deliverabilities which the workover has caused.

(3) If the producing capacity of the well as to such other formation has been reduced in excess of twenty per cent (20%), damages will be deemed to have occurred. If damage has occurred, the rights and liabilities between Remedial Owners and Damaged Owners shall be adjusted in accordance with the provisions set out below:

Remedial Owners may at their sole cost, risk and expense attempt to restore the well to 80% of its former capacity or may pay to Damaged Owners the cost of a replacement well completed in the damaged formation. If the attempt is unsuccessful, or if no attempt is made, and if the cost of a replacement well is not so paid, Remedial Owners shall pay damages to Damaged Owners in an amount determined by the following formula:

$$\text{Damage Payment} = \text{Cost of Replacement Well} \times \left(1 - \frac{A}{0.80B}\right)$$

A = The capacity of the well from the damaged formation after the workover or other operation or after completion of any further work to restore the well as to the damaged formation which the Remedial Owners elect to perform.

B = The capacity of the well from the damaged formation before the workover or other operation which impaired the producing capacity of such well.

In no event, however, shall the amount of damages, computed in the manner hereinabove provided, exceed the value of the remaining recoverable reserves (less cost of recovery) of the formation as to which the well was damaged which could have been recovered from such well if it had not been damaged. If more than one capacity test is made after completion of the workover or other operation or work performed at the election of Remedial Owners, the last capacity obtained in such testing will be used in calculating the reduction of capacity. The Remedial Owners will pay such damages within fifteen (15) days following the date the amount of damages is determined. Payment of damages will not alter the ownership of formations or equipment except if cost of a replacement well is paid Remedial Owners shall own all material and equipment on or used in connection with the damaged well and shall bear all costs of plugging and abandonment. If an attempt to restore the well to 80% of its former capacity is made and such attempt is successful, Remedial Owners shall have no further liability.

e) It is understood, however, that liability for loss or damages shall not accrue hereunder if: (1) in workover of the shallow formation such loss or damage exists prior to actual commencement of the operations to be performed in said formation, or,

in workover of the deep formation, loss or damage exists prior to penetration of workover equipment below the base of the shallow formation, and (2) the evidence is conclusive that the loss or damage resulted solely from the previously existing poor mechanical condition of the well.

11. Allocation of Overhead and District and Camp Expense in Dual Completion Operations. As to any well which was begun with the objective of dual completion and as to any well on which work is begun to deepen or to convert it into a dual completion, overhead charges during drilling shall be billed as though the well were a single well to be drilled to test the deepest formation, and for purposes of allocating district and camp expense among wells, each drilling well shall be treated as one well. Upon completion of such a well, each formation in which the well is completed shall be treated as a separate well for purposes of charging overhead and allocating field and camp expenses.

ARTICLE IV

Effective Date

When fully executed, as set forth in Article V, this Agreement shall be effective as to all parties hereto as of the first date hereinabove written, and unless otherwise terminated, it shall be effective as long as the Unit Agreement is effective. This Agreement may be terminated in any manner by which said Unit Agreement may be terminated.

ARTICLE V

Counterparts

This Amendment and Supplement 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 a binding agreement when all parties owning a working interest committed to the San Juan 29-7 Unit 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.

EL PASO NATURAL GAS COMPANY

By _____

ATTORNEY - IN - FACT

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

Date May 12, 1960

Date May 17, 1960

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST:

ASSISTANT Secretary

PHILLIPS PETROLEUM COMPANY

By _____
VICE-P President

ATTEST:

_____
Secretary

SOUTHERN UNION GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

AZTEC OIL & GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

THREE STATES NATURAL GAS COMPANY

By _____
President

ATTEST:

ASSISTANT Secretary

SKELLY OIL COMPANY

By _____
VICE-P President

ATTEST:

_____
Secretary

WESTERN NATURAL GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

PUBCO PETROLEUM CORPORATION

By _____
President

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST: | PHILLIPS PETROLEUM COMPANY

_______________ Secretary

By _______________ President

ATTEST: | SOUTHERN UNION GAS COMPANY

_______________ Secretary

By _______________ President

ATTEST: | AZTEC OIL & GAS COMPANY

Guilman L. Davis
Secretary

By Clair Thompson
Vice President

ATTEST: | THREE STATES NATURAL GAS COMPANY

James T. Hardy
Asst. Secretary

By _______________
Vice President

ATTEST: | SKELLY OIL COMPANY

_______________ Secretary

By _______________ President

ATTEST: | WESTERN NATURAL GAS COMPANY

_______________ Secretary

By _______________ President

ATTEST: | PUBCO PETROLEUM CORPORATION

_______________ Secretary

By _______________ President

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST:

_____
Secretary

PHILLIPS PETROLEUM COMPANY

By _____
President

ATTEST:

_____
Secretary

SOUTHERN UNION GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

AZTEC OIL & GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

THREE STATES NATURAL GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

SKELLY OIL COMPANY

By _____
President

ATTEST:

_____
Secretary

WESTERN NATURAL GAS COMPANY

By _____
President

ATTEST:

Jack T. Hoss
Secretary

PUBCO PETROLEUM CORPORATION

By _____
Vice President

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

APPROVED

ATTEST:

Asst. Secretary

PAN AMERICAN PETROLEUM CORPORATION

By _____
ATTORNEY-IN-FACT

ATTEST:

_____
Secretary

DELHI-TAYLOR OIL CORPORATION

By _____
President

ATTEST:

_____
Secretary

TENNESSEE GAS TRANSMISSION COMPANY

By _____
President

ATTEST:

_____
Secretary

SAN JACINTO OIL & GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

AMERICAN PETROFINA COMPANY OF TEXAS

By _____
President

ATTEST:

_____
Secretary

PETRO-ATLAS, INC.

By _____
President

Date _____

_____

Date _____

_____

Date _____

_____

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST:

_____
Secretary

PAN AMERICAN PETROLEUM CORPORATION

By _____
President

ATTEST:

Kathleen Vaughn
Ass't. Secretary

DELHI-TAYLOR OIL CORPORATION

By W C Smith
Vice President

ATTEST:

_____
Secretary

TENNESSEE GAS TRANSMISSION COMPANY

By _____
President

ATTEST:

_____
Secretary

SAN JACINTO OIL & GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

AMERICAN PETROFINA COMPANY OF TEXAS

By _____
President

ATTEST:

_____
Secretary

PETRO-ATLAS, INC.

By _____
President

Date _____

_____

Date _____

_____

Date _____

_____

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST:

_____
Secretary

PAN AMERICAN PETROLEUM CORPORATION

By _____
President

ATTEST:

_____
Secretary

DELHI-TAYLOR OIL CORPORATION

By _____
President

ATTEST:

_____
Secretary

TENNESSEE GAS TRANSMISSION COMPANY

By _____
President

ATTEST:

_____
Assistant Secretary

SAN JACINTO ~~GAS COMPANY~~ PETROLEUM CORP.

By _____
Vice President

ATTEST:

_____
Secretary

AMERICAN PETROFINA COMPANY OF TEXAS

By _____
President

ATTEST:

_____
Secretary

PETRO-ATLAS, INC.

By _____
President

Date _____

_____

Date _____

_____

Date _____

_____

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST:

Secretary

PAN AMERICAN PETROLEUM CORPORATION

By
President

ATTEST:

Secretary

DELHI-TAYLOR OIL CORPORATION

By
President

ATTEST:

Secretary

TENNESSEE GAS TRANSMISSION COMPANY

FORM APPROVED

By
R. L. SIELAFF
AGENT & ATTORNEY-IN-FACT

ATTEST:

Secretary

SAN JACINTO OIL & GAS COMPANY

By
President

ATTEST:

Walter W Smith
Secretary

AMERICAN PETROFINA COMPANY OF TEXAS

By
President

ATTEST:

Secretary

PETRO-ATLAS, INC.

By
President

Date

Date

Date

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

ATTEST:

_____
Secretary

PAN AMERICAN PETROLEUM CORPORATION

By _____
President

ATTEST:

_____
Secretary

DELHI-TAYLOR OIL CORPORATION

By _____
President

ATTEST:

_____
Secretary

TENNESSEE GAS TRANSMISSION COMPANY

By _____
President

ATTEST:

_____
Secretary

SAN JACINTO OIL & GAS COMPANY

By _____
President

ATTEST:

_____
Secretary

AMERICAN PETROFINA COMPANY OF TEXAS

By _____
President

ATTEST:

_____
Secretary

PETRO-ATLAS, INC.

By _____
President

ATTEST:

Date: Asst. Secretary

NORTHWEST PRODUCTION CORPORATION

By Vice President

Date 3/16/60

Date 3/17/60

Supplemental Execution Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

Date Jan 25.1960

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF TEXAS)
)
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 30th day of March, 19 61, by Sam Smith ATTORNEY-IN-FACT, of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:

NATALIE TAYLOR
Notary Public In and for El Paso County, Texas
My Commission Expires June 1, 1963

Natalie Taylor
Notary Public

STATE OF Oklahoma)
)
COUNTY OF Washington)

The foregoing instrument was acknowledged before me this 4th day of February, 19 60, by C. O. Stark, Vice President of PHILLIPS PETROLEUM COMPANY.

My Commission expires:
My Commission Expires
October 1, 1963

Alice Cardenas
Notary Public

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 ___, by _____, _____ of SOUTHERN UNION GAS COMPANY.

My Commission expires:

_____

_____
Notary Public

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 ____, by _____, _____ of AZTEC OIL & GAS COMPANY.

My Commission expires:

_____

_____
Notary Public

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF TEXAS §
§
COUNTY OF EL PASO §

The foregoing instrument was acknowledged before me this 10th day of March, 1961, by Sam Smith ATTORNEY-IN-FACT, of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

Natalie Taylor
Notary Public

My Commission expires:

NATALIE TAYLOR
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1962

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of PHILLIPS PETROLEUM COMPANY.

_____
Notary Public

My Commission expires:

_____

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of SOUTHERN UNION GAS COMPANY.

_____
Notary Public

My Commission expires:

_____

STATE OF Texas §
§
COUNTY OF Dallas §

The foregoing instrument was acknowledged before me this 9th day of February, 1960, by VAN THOMPSON, VICE PRESIDENT of AZTEC OIL & GAS COMPANY.

Mary Joy Bobbitt
Notary Public

My Commission expires:

6-1-61

MARY JOY BOBBITT
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF Texas §
§
COUNTY OF Dallas §

The foregoing instrument was acknowledged before me this 5th day of February, 1960, by J. P. Donahue Jr., Vice President of THREE STATES NATURAL GAS COMPANY.

Nancy Harman
Notary Public

My Commission expires:

NANCY HARMAN
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of SKELLY OIL COMPANY.

_____
Notary Public

My Commission expires:

_____

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of WESTERN NATURAL GAS COMPANY.

_____
Notary Public

My Commission expires:

_____

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of PUBCO PETROLEUM CORPORATION.

_____
Notary Public

My Commission expires:

_____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF ____
COUNTY OF ____

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of THREE STATES NATURAL GAS COMPANY.

My Commission expires: _____ Notary Public

_____

STATE OF Okla.
COUNTY OF Tulsa

The foregoing instrument was acknowledged before me this 3rd day of Feb., 1960, by A. L. CASHMAN, VICE PRESIDENT of SKELLY OIL COMPANY.

My Commission expires: _____ Notary Public

HAZEL M. BRADY
Notary Public Tulsa County Oklahoma
My Commission Expires January 21, 1961

STATE OF ____
COUNTY OF ____

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of WESTERN NATURAL GAS COMPANY.

My Commission expires: _____ Notary Public

_____

STATE OF ____
COUNTY OF ____

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of PUBCO PETROLEUM CORPORATION.

My Commission expires: _____ Notary Public

_____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF ⎫
⎬
COUNTY OF ⎭

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of THREE STATES NATURAL GAS COMPANY.

My Commission expires: _____ Notary Public

_____

STATE OF ⎫
⎬
COUNTY OF ⎭

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of SKELLY OIL COMPANY.

My Commission expires: _____ Notary Public

_____

STATE OF ⎫
⎬
COUNTY OF ⎭

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of WESTERN NATURAL GAS COMPANY.

My Commission expires: _____ Notary Public

_____

STATE OF New Mexico ⎫
⎬
COUNTY OF Bernalillo ⎭

The foregoing instrument was acknowledged before me this 1st day of February, 1960, by Frank B. Hobson Jr., Vice President of PUBCO PETROLEUM CORPORATION.

My Commission expires: Joyce P. Abbott Notary Public

My Commission Expires Oct 18, 1961

_____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF TEXAS §
§
COUNTY OF TARRANT §

The foregoing instrument was acknowledged before me this 14th day of March, 1960, by E. F. BEDFORD, ATTORNEY-IN-FACT of PAN AMERICAN PETROLEUM CORPORATION.

Pauline A. Kay
Notary Public
PAULINE A. KAY

My Commission expires:
June 1, 1961

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of DELHI-TAYLOR OIL CORPORATION.

_____
Notary Public

My Commission expires:

_____

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of TENNESSEE GAS TRANSMISSION COMPANY.

_____
Notary Public

My Commission expires:

_____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF ‖
‖
COUNTY OF ‖

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of PAN AMERICAN PETROLEUM CORPORATION.

My Commission expires: _____ Notary Public

_____

STATE OF Texas ‖
‖
COUNTY OF Dallas ‖

The foregoing instrument was acknowledged before me this 3 day of February, 1960, by W. C. SMITH, Vice President of DELHI-TAYLOR OIL CORPORATION.

Joyce Prater
Notary Public

My Commission expires:
JOYCE PRATER
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

STATE OF ‖
‖
COUNTY OF ‖

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of TENNESSEE GAS TRANSMISSION COMPANY.

_____ Notary Public

My Commission expires:

_____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of PAN AMERICAN PETROLEUM CORPORATION.

My Commission expires: _____ Notary Public

_____

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____, _____ of DELHI-TAYLOR OIL CORPORATION.

_____ Notary Public

My Commission expires:

_____

STATE OF Colorado)
City & COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 15th day of February, 19 60, by R. L. SIELAFF AGENT AND ATTORNEY-IN-FA of TENNESSEE GAS TRANSMISSION COMPANY.

Elsie Hart
Notary Public

My Commission expires:

My Commission expires Aug. 21, 1963

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF ____
____
COUNTY OF ____

The foregoing instrument was acknowledged before me this ____ day of ____, 19____, by ____, ____ of SAN JACINTO OIL & GAS COMPANY.

____
Notary Public

My Commission expires:

____

STATE OF Texas
COUNTY OF Lucas

The foregoing instrument was acknowledged before me this 12th day of December, 1960, by [illegible], ____ of AMERICAN PETROFINA COMPANY OF TEXAS.

[illegible]
Notary Public

My Commission expires:

6-1-61

STATE OF ____
____
COUNTY OF ____

The foregoing instrument was acknowledged before me this ____ day of ____, 19____, by ____, ____ of PETRO-ATLAS, INC.

____
Notary Public

My Commission expires:

____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this 13th day of March, 1961, by L. W. Goodrich, Vice President, of SAN JACINTO PETROLEUM CORP.

Patricia Hornsby
Notary Public

PATRICIA HORNSBY

My Commission expires:

June 1, 1961

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of AMERICAN PETROFINA COMPANY OF TEXAS.

My Commission expires: Notary Public

_____

STATE OF §
§
COUNTY OF §

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of PETRO-ATLAS, INC.

Notary Public

My Commission expires:

_____

Acknowledgement Page to Amendment and Supplement to San Juan 29-7 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective January 1, 1960.

STATE OF New Mexico }
}
COUNTY OF Bernalillo }

The foregoing instrument was acknowledged before me this 3rd day of February, 19 60, by J. M. Clark, Vice President of NORTHWEST PRODUCTION CORPORATION.

My Commission expires:

February 27, 1961

Notary Public

STATE OF NEW MEXICO }
}
COUNTY OF Santa Fe }

The foregoing instrument was acknowledged before me this 17th day of March, 1961, by T. H. McElvain, and Catherine B. McElvain, his wife

My Commission expires:

Notary Public

STATE OF New Mexico }
}
COUNTY OF San Juan }

The foregoing instrument was acknowledged before me this 17th day of May, 1960, by Tom Bolack & Walter Schalk

My Commission expires:
My Commission Expires 6-21-61

Notary Public

STATE OF }
}
COUNTY OF }

The foregoing instrument was acknowledged before me this day of, 19, by.

My Commission expires:

Notary Public

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ of _____, a _____ corporation, on behalf of said corporation.

My Commission expires: _____ Notary Public

_____

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, partner on behalf of _____, a partnership.

My Commission expires: _____ Notary Public

_____

STATE OF)
)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission expires: _____ Notary Public

_____

GAS BALANCING AGREEMENT

San Juan 29-7 Unit

Attached to and made a part of Unit Operating (or Unit Accounting) Agreement dated _____

1.

In accordance with the terms of the Unit Operating Agreement (hereinafter also referred to as Unit Accounting Agreement when applicable) to which this Agreement is attached, each party shall take its share of oil and gas in kind and separately dispose of its proportionate share of the oil and gas produced from the wells (as used hereinafter the term "well(s)" shall mean participating area or non-commercial unit well as defined within the context of the subject Unit Agreement and Unit Operating Agreement) on the leases within the Contract Area. In the event any party hereto fails, or is unable, to take and market its share of the gas as produced for any reason, the terms of this Agreement shall automatically become effective.

2.

As long as any gas produced from any of said wells is subject to the regulations of the Federal Energy Regulatory Commission (FERC), or any successor governmental authority, under any section of the Natural Gas Act, the Natural Gas Policy Act of 1978 (NGPA), or other statutory authority, which establishes maximum lawful prices for the gas, each party should receive its allocated share of the category of gas in accordance with its interest in production from said well. It is the intent of this Agreement that balancing of gas taken will be based upon the allocated volumes of each category of gas. Any deregulated gas shall be treated as a separate category for purposes of balancing.

3.

During any period or periods when a party fails, or is unable, to take and market its full share of gas produced, each of the other parties shall be entitled to but not obligated to, take and deliver to its purchaser its proportionate part of all of such gas production not taken by others. Each party failing to take or market its full share of the gas as produced shall be considered underproduced by a quantity of gas equal to its share of the gas produced from the lease, less such party's share of the gas taken by such party or in behalf of such party, vented, lost, or used in lease operations. Those parties which are capable of taking and marketing the underproduced quantity of gas allocable to an underproduced party, in the absence of any other agreement between them, shall each take a share of the gas attributed to each underproduced party in the direct proportion that said producing party's interest bears to the total interest of all parties taking underproduced gas and each of said producing parties shall be considered to be overproduced. All gas (including overproduction or make-up) taken and marketed by a party in accordance with the terms of this Agreement, regardless of whether such party is underproduced or overproduced, shall be regarded as gas taken for its own account with title thereto being in such party.

4.

All parties hereto shall share in and own the liquid hydrocarbons recovered from all gas by primary separation equipment prior to processing in a gas plant in accordance with their respective interests as specified in the above described Operating Agreement, whether or not such parties are actually producing and marketing gas at such time.

5.

The Operator will maintain appropriate accounting on a monthly and cumulative basis of the quantities of gas each party is entitled to receive and the quantities of gas taken and marketed by each of the parties. For the sole purpose of implementing the terms of this Agreement and adjusting gas imbalances which may occur, each party disposing of gas from the lease in any month, to the extent required, shall furnish or cause to be furnished to the

Operator by the last day of each calendar month a statement showing the total volume of gas sold by such party or taken in kind for its own account during the preceding calendar month (the "report period"). Within sixty (60) days after the end of each report period, the Operator shall upon written request of non-operator furnish each such party a statement showing the status of the overproduced and underproduced accounts of all parties. All gas volumes under this paragraph will be identified by the appropriate category provided under the NGPA or any other law or regulation in effect. In the event deregulation occurs, the gas volumes will be identified additionally in that category. Each party to this Gas Balancing Agreement agrees that it will not utilize any information obtained hereunder for any purpose other than implementing the terms of this Gas Balancing Agreement.

6.

Any party who is underproduced as to a given category of gas shall endeavor to bring its taking of gas of that category into balance. After written notice to the Operator, any party may begin taking and delivering to its purchaser(s) its full share of each category of gas produced. To allow for the recovery and make up of underproduced gas in a category and to balance the gas account for the interests, the underproduced party or parties for a category of gas shall after written notice to the Operator, also be entitled to take up to an additional fifty percent (50%) of the monthly quantity of that category of gas attributable to each overproduced party. In the event there is more than one underproduced or overproduced party, unless otherwise agreed, each underproduced or overproduced party's share of make-up gas shall be in the direct proportion of its interest to the total interests of all underproduced or overproduced parties taking or furnishing make-up gas. The first gas made up shall be assumed to be the first gas underproduced. Gas production from other well(s) under this Agreement cannot be used for the purpose of balancing underproduction from the particular well where an imbalance occurs.

7.

If at the termination of gas production of a given category of gas, an imbalance exists between the parties, a monetary settlement of the imbalance between the parties shall be made within a reasonable length of time after such gas production permanently ceases. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction. If an overproduced party did not sell its gas but otherwise utilized such gas in its own operations, such gas will be valued at the maximum price which the overproduced party could have received for such gas at the time of overproduction under such party's sales contract, or, if none, the weighted average price received by all other parties for their gas sold at that time. That portion of the monies collected by each overproduced party which is subject to refund by orders of the FERC, may be withheld by the overproduced party until such prices are fully approved by the FERC, unless each underproduced party furnishes a bond or corporate undertaking agreement acceptable to the overproduced party to hold the overproduced party harmless from financial loss due to orders by the FERC.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred in operations, as its share thereof is set forth in the above described Unit Operating Agreement.

9.

Each party shall pay, or cause to be paid, all production and severance taxes due on all volumes of gas actually utilized or sold for its own account.

10.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser the full well stream for a period not to exceed seventy-two (72) hours to meet the deliverability test required by its purchaser.

11.

The parties recognize that at some time after the date of this Agreement, legislation, judicial decision(s) or executive action may cause part or all of the then remaining gas reserves subject to this Agreement to be deregulated and no longer be subject to Federal price regulation. If in such an event an imbalance exists between the parties as to a given category of gas which is deregulated, a monetary settlement of such imbalance between the parties shall be made. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction, up to and including the date deregulation occurs. After such monetary settlement has been fully made for any imbalance that existed for a given category of gas on the date of price deregulation, this Agreement shall continue to apply to all gas produced from lands covered by the Operating Agreement.

12.

Unless otherwise required by provisions of a lease, agreement, or statute, rule, regulation, or order of any governmental authority having jurisdiction, and regardless of who is disposing of Gas, each Party shall be responsible for an shall pay or cause to be paid any and all royalties, overriding royalties and similar encumbrances due on its Percentage Ownership in such Gas, and shall hold the other Parties free from any liability therefore, provided that no party shall every be responsible for a price higher than the price actually or constructively received for such Gas.

13.

This Agreement shall remain in force and effect as long as the Unit Operating Agreement is in effect and thereafter until the gas balance accounts between the parties are settled in full and shall accrue to the benefit and be binding upon the parties hereto, their successors, representatives, and assigns.