



September 27, 2005

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13582

Re: Application of Chesapeake Operating, Inc. for statutory unitization, Lea County, New Mexico.

Application of Chesapeake Operating, Inc. for approval of a waterflood project, Lea County, New Mexico.

Dear Mr. Fesmire:

Enclosed in triplicate is the application of Chesapeake Operating, Inc. for statutory unitization of the Trinity Burrus Unit. Chesapeake's application for approval of the waterflood project in this Unit Area (Division Form C-108) will be filed in accordance with the time frames set out in Rule 701. Drafts of legal advertisements for each application are also enclosed. Chesapeake requests that these applications be placed on the Division Examiner Hearing docket set for October 20, 2005.

Very truly yours,

William F. Carr

William F. Carr

Enclosures

cc: Mr. Terry Frohnapfel

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

2005 SEP 27 PM 2 46

**IN THE MATTER OF THE APPLICATION OF
CHESAPEAKE OPERATING INC. FOR
STATUTORY UNITIZATION OF THE TRINITY
BURRUS UNIT AREA, LEA COUNTY, NEW MEXICO.**

CASE NO. 13582

APPLICATION

CHESAPEAKE OPERATING, INC. as operator under contract to Chesapeake Exploration Limited Partnership and Chesapeake Permian, L. P. ("Chesapeake"), pursuant to the provisions of the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, NMSA, 1978 Comp.) hereby applies to the Oil Conservation Division for an order unitizing the Trinity Burrus Unit Area, Eddy County, New Mexico, and in support of its application states:

1. Chesapeake is a corporation authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and natural gas.

2. Chesapeake seeks an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of 1720 acres, more or less, of Federal, State and Fee lands, which includes a portion of the Trinity-Wolfcamp Pool, located in Lea County, New Mexico, and is more particularly described as follows:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM

Section 15:	SW/4 SE/4
Section 22:	E/2, E/2 W/2
Section 23:	W/2, W/2 E/2
Section 26:	W/2 W/2, NE/4 NW/4, SE/4 SW/4
Section 27:	E/2, E/2 W/2

A map of the proposed Unit Area is attached to this application as **Exhibit A.**

3. The vertical limits of the unitized formation to be included within the proposed Unit Area shall mean the separate common source of supply of oil and gas underlying the Unit Area, which is commonly known as the Wolfcamp formation, but geologically known as the Abo Dolomite formation, as found in Limark Corporation State DZ#2 well, located in the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) of Section 23, Township 12 South, Range 38 East, NMPM, Lea County, New

Mexico, at the drilling depth interval of 9,063 feet to 9,131 feet (-5,257 feet to -5,325 feet), as measured by Compensated Neutron/Formation-Density/Induction Log.

4. The portions of the Wolfcamp reservoir that are the subject of this application have been reasonably defined by development.

5. The type of operations to be conducted in this Unit initially include secondary recovery by means of waterflooding. At a later date, carbon dioxide flooding or other methods of secondary recovery may be conducted in the proposed unit area.

6. Attached to this application as **Exhibit B** and incorporated herein is a copy of the proposed plan of unitization that Chesapeake considers fair, reasonable and equitable.

7. Attached to this application as **Exhibit C** and incorporated herein is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.

8. Chesapeake further states:

- A. Unitized management, operating and further development of the portion of the Wolfcamp formation, Trinity-Wolfcamp Pool, which is the subject of this application, is reasonably necessary in order to effectively carry on secondary recovery operations and, at a later date, tertiary recovery operations, and to substantially increase the ultimate recovery of oil from the unitized portion of the pool.
- B. The proposed unitized methods of operations to be applied to this portion of the Trinity-Wolfcamp Pool are feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and/or gas from the pool, or unitized portions thereof, than would otherwise be recovered.
- C. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil recovered plus reasonable profit.
- D. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within this portion of the pool.
- E. Chesapeake Operating, Inc., as operator, has made a good faith effort to secure voluntary unitization within the portion of the Trinity Wolfcamp Pool affected by this application.

F. The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis.

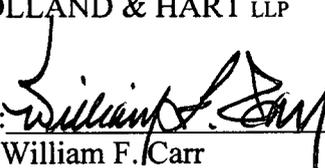
9. Chesapeake requests that any order issued in this case include each matter set forth in NMSA 1978, § 70-7-7 and that it specifically provide for carrying any working interest owner on a limited, carried net profits basis, payable out of production, and include a non-consent penalty for risk to be charged against carried working interests within the unit area upon such terms and conditions to be determined by the Division as just and reasonable.

10. Statutory unitization of the Trinity Burrus Unit Area, Trinity Wolfcamp Pool, is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Chesapeake Operating Inc. respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on October 20, 2005, and, that after notice and hearing as required by law and the rules of the Division, the Division enter its order granting this application statutorily unitizing the subject portions of the Trinity Wolfcamp Pool, Lea County, New Mexico.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

ATTORNEYS FOR CHESAPEAKE
OPERATING, INC.

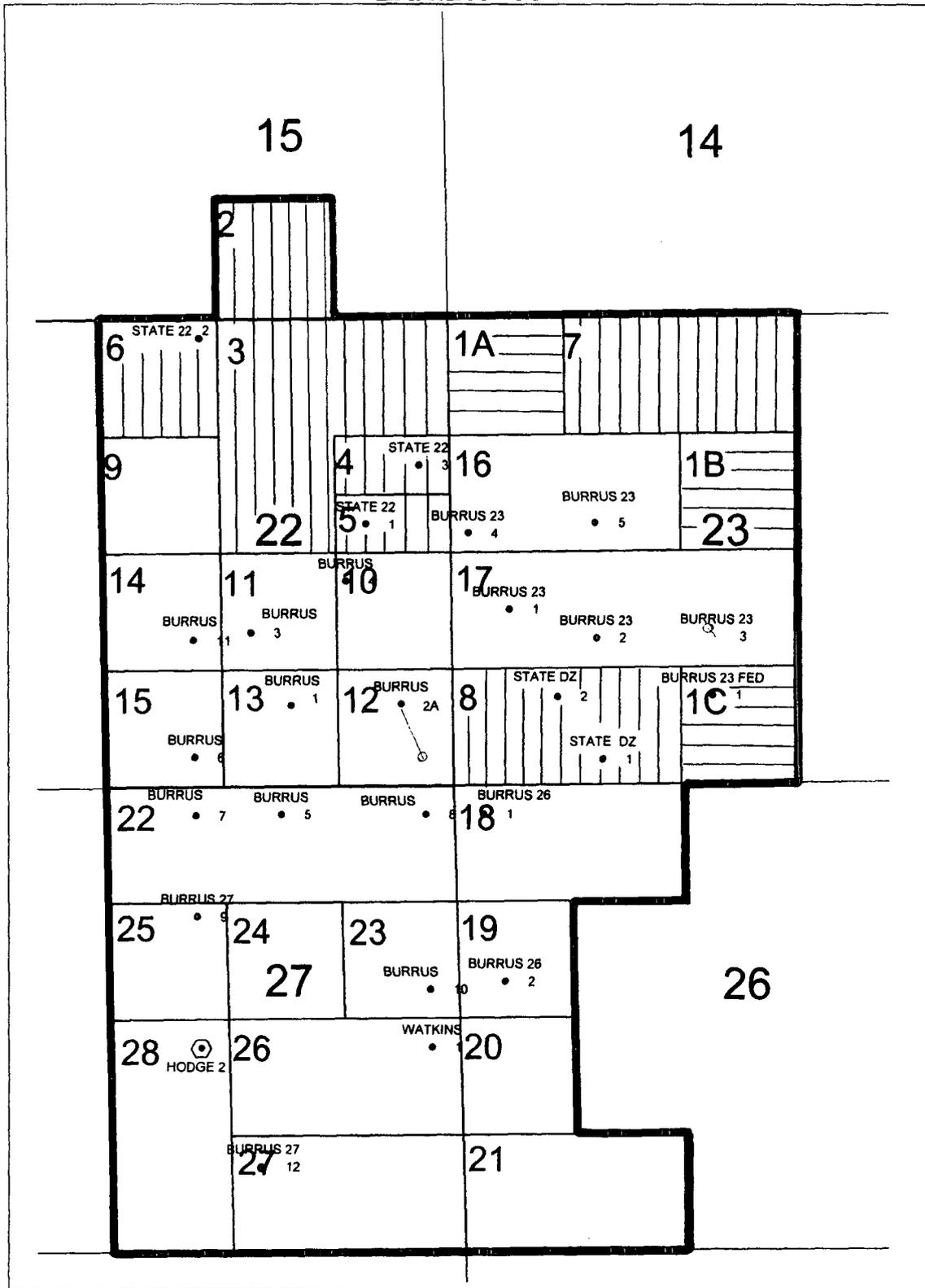
CASE 13582: **Application of Chesapeake Operating, Inc. for statutory unitization of the Trinity Burrus Unit Area, Lea County, New Mexico.** Applicant in the above-styled cause, seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all mineral interest in the Wolfcamp formation, underlying 1720 acres, more or less, of Federal, State and Fee lands, which includes a portion of the Trinity-Wolfcamp Pool, in the following acreage:

TOWNSHIP 12 SOUTH, RANGE 38 EAST, NMPM

Section 15:	SW/4 SE/4
Section 22:	E/2, E/2 W/2
Section 23:	W/2, W/2 E/2
Section 26:	W/2 W/2, NE/4 NW/4, SE/4 SW/4
Section 27:	E/2, E/2 W/2

Said unit to be designated the Trinity Burrus Unit. Among the matters to be considered at the hearing will be the necessity of unit operations; the designation of a unit operator; the designation of horizontal and vertical limits of the unit area; the determination of the fair, reasonable, and equitable allocation of production and costs of production, including capital investment, to each of the various tracts in the unit area; the determination of credits and charges to be made among the various owners in the unit area for their investment in wells and equipment and such other matters as may be necessary and appropriate for carrying on efficient unit operations; including but not limited to, unit voting procedures, selection, removal or substitution of unit operator, and time of commencement and termination of unit operations. Applicant also requests that any such order issued in this case include a non-consent penalty for risk to be charged against carried working interests within the unit area upon such terms and conditions to be determined by the Division as just and reasonable. Said unit area is located approximately 25 miles northeast of Lovington, New Mexico.

EXHIBIT "A"



TOWNSHIP 12 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO

PROPOSED TRINITY BURRUS ABO UNIT
CHESAPEAKE ENERGY CORPORATION

- | | | | |
|---|-----------------------------------|---|-----------------------------|
|  | Proposed Waterflood Unit Boundary |  | Federal Acreage = 120 acres |
|  | Chesapeake Operated Wells |  | State Acreage = 400 acres |
|  | Energen Resources Operated Wells |  | Fee Acreage = 1200 acres |
| | | | Total Acreage = 1720 acres |

EXHIBIT A

STATE/FEDERAL/FEE
WATERFLOOD UNIT

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

TRINITY BURRUS ABO UNIT AREA

LEA COUNTY, NEW MEXICO

NO. _____

EXHIBIT B

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
TRINITY BURRUS ABO UNIT

LEA County, NEW MEXICO

TABLE OF CONTENTS by Sections

SECTION

1. ENABLING ACT AND REGULATIONS
2. UNIT AREA AND DEFINITIONS
3. EXHIBITS
4. EXPANSION
5. UNITIZED LAND
6. UNIT OPERATOR
7. RESIGNATION OR REMOVAL OF UNIT OPERATOR
8. SUCCESSOR UNIT OPERATOR
9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT
10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR
11. PLAN OF OPERATIONS
12. USE OF SURFACE AND USE OF WATER
13. TRACT PARTICIPATION
14. TRACTS QUALIFIED FOR PARTICIPATION
15.
 - A. ALLOCATION OF UNITIZED SUBSTANCES
 - B. EXCESS IMPUTED NEWLY DISCOVERED CRUDE OIL
 - C. EXCESS IMPUTED STRIPPER CRUDE OIL
 - D. TAKING UNITIZED SUBSTANCES IN KIND
16. OUTSIDE SUBSTANCES
17. ROYALTY SETTLEMENT
18. RENTAL SETTLEMENT
19. CONSERVATION
20. DRAINAGE
21. LOSS OF TITLE
22. LEASES AND CONTRACTS CONFORMED AND EXTENDED

23. COVENANTS RUN WITH LAND
 24. EFFECTIVE DATE AND TERM
 25. RATE OF PROSPECTING, DEVELOPMENT & PRODUCTION
 26. NONDISCRIMINATION
 27. APPEARANCES
 28. NOTICES
 29. NO WAIVER OF CERTAIN RIGHT
 30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY
 31. UNAVOIDABLE DELAY
 32. NONJOINER AND SUBSEQUENT JOINER
 33. COUNTERPARTS
 34. JOINER IN DUAL CAPACITY
 35. TAXES
 36. NO PARTNERSHIP
 37. PRODUCTION AS OF THE EFFECTIVE DATE
 38. NO SHARING OF MARKET
 39. STATUTORY UNITIZATION
- EXHIBIT "A". MAP OF UNIT AREA
- EXHIBIT "B". SCHEDULE OF OWNERSHIP
- EXHIBIT "C". SCHEDULE OF TRACT PARTICIPATION

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
TRINITY BURRUS ABO UNIT
LEA County, NEW MEXICO

THIS AGREEMENT, entered into as of the ____1st____ day of SEPTEMBER, 2005, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the Unit Area subject to this Agreement;
and

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1, Chapter 162, Laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 2 et seq., New Mexico Statutes 1978 Annotated) to approve this Agreement and the conservation provisions hereof; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico is authorized by law (Chapter 65, Article 3 and Article 14, N.M.S. 1953 Annotated) to approve this Agreement and the conservation provisions hereof; and

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

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

NOW THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their respective interest in the below-defined Unit Area, and agree severally among themselves as follows:

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

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands described in Exhibit "B" and depicted on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area, containing 1720 acres, more or less, in Lea County(ies), New Mexico.

(b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Division" is defined as the Oil Conservation Division of the Department of Energy and Minerals of the State of New Mexico.

- (d) "Authorized Officer" or "A.O." is any employee of the Bureau of Land Management who has been delegated the required authority to act on behalf of the BLM.
- (e) "Secretary" is defined as the Secretary of the Interior of the United States of America, or his duly authorized delegate.
- (f) "Department" is defined as the Department of the Interior of the United States of America.
- (g) "Proper BLM Office" is defined as the Bureau of Land Management office having jurisdiction over the federal lands included in the Unit Area.
- (h) "Unitized Formation" shall mean the separate common source of supply of oil and gas underlying the Unit Area, which is commonly known as the Wolfcamp formation, but geologically known as the Abo Dolomite formation, as found in Limark Corporation State DZ #2 well, located in the Southwest Quarter of the Southwest Quarter (SW/4 SW/4) Section 23, Township 12 South, Range 38 West, NMPM, Lea County, New Mexico, at the drilling depth interval of 9,063 feet to 9,131 feet (-5,257' to -5,325'), as measured by Compensated Neutron/Formation-Density/Induction Log.
- (i) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons, other than outside substances, within and produced from the Unitized Formation.
- (j) "Tract" is each parcel of land described as such and given a Tract number in Exhibit "B".
- (k) "Tract Participation" is defined as the percentage of participation shown on Exhibit "C" for allocating Unitized Substances to a Tract under this agreement.
- (l) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract.
- (m) "Working Interest" is the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, operating agreement, or otherwise held, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substances from the Unitized Formation and operations thereof hereunder. Provided that any royalty interest created out of a working interest subsequent to the execution of this Agreement by the owner of the working interest shall continue to be subject to such working interest burdens and obligations.
- (n) "Working Interest Owner" is any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise. The owner of oil and gas rights that are free of lease or other instrument creating a Working Interest in another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.
- (o) "Royalty Interest" or "Royalty" is an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor or by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce unitized substances.
- (p) "Royalty Owner" is the owner of a Royalty Interest.
- (q) "Unit Operating Agreement" is the agreement entered into by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be styled "Unit Operating Agreement, Trinity Burrus Abo Unit, Lea County(ies), New Mexico".
- (r) "Oil and Gas Rights" is the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.
- (s) "Outside Substances" is any substance obtained from any source other than the Unitized Formation and injected into the Unitized Formation.
- (t) "Unit Manager" is any person or corporation appointed by Working Interest Owners to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 7 hereof.
- (u) "Unit Operator" is the party designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations.
- (v) "Unit Operations" is any operation conducted pursuant to this Agreement and the Unit Operating Agreement.
- (w) "Unit Equipment" is all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(x) "Unit Expense" is all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

(y) "Effective Date" is the date determined in accordance with Section 24, or as re-determined in accordance with Section 39.

SECTION 3. EXHIBITS. The following exhibits are incorporated herein by reference: Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each Tract, percentages and kind of ownership of oil and gas interests in all land in the Unit Area, and Exhibit "C" shows Tract Participation of each Tract. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. The shapes and descriptions of the respective Tracts have been established by using the best information available. Each Working Interest Owner is responsible for supplying Unit Operator with accurate information relating to each Working Interest Owner's interest. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date hereof, should be divided into more than one Tract, or when any revision is requested by the A.O., or any correction of any error other than mechanical miscalculations or clerical is needed, then the Unit Operator, with the approval of the Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any reevaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each other such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit. Copies of such revision shall be filed with the Land Commissioner, and not less than four copies shall be filed with the A.O. In any such revision, there shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof.

SECTION 4. EXPANSION. The above described Unit Area may, with the approval of the A.O. and the Land Commissioner, when practicable be expanded to include therein any additional Tract or Tracts regarded as reasonably necessary or advisable for the purposes of this Agreement provided, however, in such expansion there shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof. Pursuant to Subsection (b), the Working Interest Owners may agree upon an adjustment of investment by reason of the expansion. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a Tract or Tracts desiring to bring such Tract or Tracts into this unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest Owner in the Unit Area and in the Tract proposed to be included in the unit, setting out the basis for admission, the Tract Participation to be assigned to each Tract in the enlarged Unit Area and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if at least three Working Interest Owners having in the aggregate seventy-five percent (75%) of the Unit Participation then in effect have agreed to inclusion of such Tract or Tracts in the Unit Area, then Unit Operator shall:

1. After obtaining preliminary concurrence by the A.O. and Land Commissioner, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract Participation to be assigned thereto and the proposed effective date thereof; and

2. Deliver copies of said notice to Land Commissioner, the A.O. at the proper BLM Office, each Working Interest Owner and to the last known address of each lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

3. File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the Land Commissioner and A.O. the following: (a) evidence of mailing or delivering copies of said notice of expansion; (b) an application for approval of such expansion; (c) an instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, and Section 34, *infra*; and (d) a copy of all objections received along with the Unit Operator's response thereto.

The expansion shall, after due consideration of all pertinent information and approval by the Land Commissioner and the A.O., become effective as of the date prescribed in the notice thereof, preferably the first day of the month subsequent to the date of notice. The revised Tract Participation of the respective Tracts included within the Unit Area prior to such enlargement shall remain the same ratio one to another.

SECTION 5. UNITIZED LAND. All land committed to this Agreement as to the Unitized Formation shall constitute land referred to herein as "Unitized Land" or "Land subject to this Agreement". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as defined in Section 2 (h) of this Agreement.

SECTION 6. UNIT OPERATOR. Chesapeake Operating Inc., under contract to Chesapeake Exploration Limited Partnership and Chesapeake Permian Limited Partnership is hereby designated the Unit Operator, and by signing this instrument as Unit Operator, agrees and consents to accept the duties and obligations of Unit Operator for the operation, development, and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, when such interest are owned by it and the term "Working Interest Owner" when used herein shall include

or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

Unit Operator shall have a lien upon interests of Working Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Land Commissioner and the A.O. unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator shall, upon default or failure in the performance of its duties and obligations hereunder, be subject to removal by Working Interest Owners having in the aggregate eighty percent (80%) or more of the Unit Participation then in effect exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Land Commissioner and the A.O.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials, appurtenances and any other assets used in connection with the Unit Operations to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Land Commissioner and the A.O. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Land Commissioner and/or the A.O., at their election, may declare this Agreement terminated.

In selecting a successor Unit Operator, the affirmative vote of three or more Working Interest Owners having a total of sixty-five percent (65%) or more of the total Unit Participation shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one or more other Working Interest Owners having a total Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of the owners of at least seventy-five percent (75%) of the Unit Participation remaining after excluding the Unit Participation of Unit Operator so removed.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Land Commissioner and with the A.O. at the Proper BLM Office as required prior to approval of this Agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto including surface rights which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request, acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances and that the object and purpose of this Agreement is to formulate and to put into effect an improved recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. Unit Operator shall have the right to inject into the Unitized Formation any substances for secondary recovery or enhanced recovery purposes in accordance with a plan of operation approved by the Working Interest Owners, the A.O., the Land Commissioner and the Division, including the right to drill and maintain injection wells on the Unitized Land and completed in the Unitized Formation, and to use abandoned well or wells producing from the Unitized

Formation for said purpose. Subject to like approval, the Plan of Operation may be revised as conditions may warrant.

The initial Plan of Operation shall be filed with the A.O., the Land Commissioner and the Division concurrently with the filing of the Unit Agreement for final approval. Said initial plan of operations and all revisions thereof shall be as complete and adequate as the A.O., the Land Commissioner and the Division may determine to be necessary for timely operation consistent herewith. Upon approval of this Agreement and the initial plan by the A.O. and Commissioner, said plan, and all subsequently approved plans, shall constitute the operating obligations of the Unit Operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operations. After such operations are commenced, reasonable diligence shall be exercised by the Unit Operator in complying with the obligations of the approved Plan of Operation.

Notwithstanding anything to the contrary herein contained, should the Unit Operator fail to commence Unit Operations for the secondary recovery of Unitized Substances from the Unit Area within eighteen (18) months after the effective date of this Agreement, or any extension thereof approved by the A.O., this Agreement shall terminate automatically as of the date of default.

SECTION 12. USE OF SURFACE AND USE OF WATER. The parties to the extent of their rights and interests, hereby grant to Unit Operator the right to use as much of the surface, including the water thereunder, of the Unitized Land as may reasonably be necessary for Unit Operations.

Unit Operator's free use of water or brine or both for Unit Operations, shall not include any water from any well, lake, pond or irrigation ditch of a surface owner, unless approval for such use is granted by the surface owner.

Unit Operator shall pay the surface owner for damages to growing crops, fences, improvements and structures on the Unitized Land that result from Unit Operations, and such payments shall be considered as items of unit expense to be borne by all the Working Interest Owners of lands subject hereto.

SECTION 13. TRACT PARTICIPATION. In Exhibit "C" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, during Unit Operations if all Tracts in the Unit Area qualify as provided herein. The Tract Participation of each Tract as shown in Exhibit "C" was determined in accordance with the following formula:

$$\text{Tract Participation} = .20A/B + .20C/D + .20E/F + .20G/H + .20I/J$$

- A = the number of usable well bores on the tract.
- B = the total number of usable well bores in the proposed unit.
- C = the average rate of production on the tract for January, February and March 2005. Gas was converted to an oil equivalency at a ratio of 6 Mcf per barrel.
- D = the total average rate of production for all wells within the proposed Unit for January, February and March 2005. Gas was converted to an oil equivalency at a ratio of 6 Mcf per barrel.
- E = the estimated primary reserve, based on decline curve analysis, as of April 1, 2005 for each tract..
- F = the estimated primary reserves of the proposed Unit. These are based on individual well decline curve analysis as of April 1, 2005.
- G = the Estimated Ultimate Recovery (EUR) for the tract. *based on PRIMARY DECLINE before EOR.*
- H = the Estimated Ultimate Recovery (EUR) for the proposed Unit. *"/ / / / /*
- I = the hydrocarbon pore volume for the tract.
- J = the total hydrocarbon pore volume in the proposed unit.

In the event less than all Tracts are qualified on the Effective Date hereof, the Tract Participation shall be calculated on the basis of all such qualified Tracts rather than all Tracts in the Unit Area.

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date hereof, the Tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances shall be those Tracts more particularly described in Exhibit "B" that corner or have a common boundary (Tracts separated only by a public road or a railroad right-of-way shall be considered to have a common boundary), and that otherwise qualify as follows:

- (a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this Agreement and as to which Royalty Owners owning seventy-five percent (75%) or more of the Royalty Interest have become parties to this Agreement.

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this Agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest have become parties to this Agreement, and as to which (1) the Working Interest Owner who operates the Tract and Working Interest Owners owning at least seventy-five percent (75%) of the remaining Working Interest in such Tract have joined in a request for the inclusion of such Tract, and as to which (2) Working Interest Owners owning at least seventy-five percent (75%) of the combined Unit Participation in all Tracts that meet the requirements of Section 14 (a) above have voted in favor of the inclusion of such tract.

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this Agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working Interest Owner who operates the Tract and Working Interest Owner owning at least seventy-five percent (75%) of the remaining Working Interest in such Tract who have become parties to this Agreement have joined in a request for inclusion of such Tract, and have executed and delivered, or obligated themselves to execute and deliver an indemnity agreement indemnifying and agreeing to hold harmless the other owners of committed Working Interests, their successors and assigns, against all claims and demands that may be made by the owners of Working Interest in such Tract who are not parties to this Agreement, and which arise out of the inclusion of the Tract; and as to which (2) Working Interest Owners owning at least seventy-five percent (75%) of the Unit Participation in all Tracts that meet the requirements of Section 14 (a) and 14 (b) have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. Upon the inclusion of such a Tract, the Tract Participation which would have been attributed to the non-subscribing owners of Working Interest in such Tract, had they become parties to this Agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, and joined in the indemnity agreement, in proportion to their respective Working Interests in the Tract.

If on the Effective Date of this Agreement there is any Tract or Tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such Tract or Tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Land Commissioner and the A.O., file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set forth opposite each such committed Tract the lease number or assignment number, the owner of record of the lease, and the percentage participation of such tract which shall be computed according to the participation formula set forth in Section 13 (Tract Participation) above. This schedule of participation shall be revised Exhibit "B" and upon approval thereof by the Land Commissioner and the A.O., shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Land Commissioner and the A.O.

SECTION 15.A. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the A.O. and the Land Commissioner) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B". The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract) shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for, to the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No Tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances.

If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned now or hereafter in severalty by different persons, the Tract Participation shall in the absence of a recordable instrument executed by all owners in such Tract and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

SECTION 15.B. EXCESS IMPUTED NEWLY DISCOVERED CRUDE OIL. Each Tract shall be allocated any excess imputed newly discovered crude oil in the proportion that its Tract Participation bears to the total of the Tract Participations of all Tracts not previously allocated the total number of barrels of crude oil allocable to these Tracts out of unit production in accordance with the Tract Participations of such Tracts; provided, however, that excess imputed newly discovered crude oil allocated to each such Tract, when added to the total number of barrels of imputed newly discovered crude oil previously allocated to it, shall not exceed, in any month, the total number of barrels of oil allocable to it out of unit production in accordance with its Tract Participation.

SECTION 15.C. EXCESS IMPUTED STRIPPER CRUDE OIL. Each Tract shall be allocated any excess imputed stripper crude oil in the proportion that its Tract Participation bears to the total of the Tract Participations of all Tracts not previously allocated the total number of crude oil barrels allocable to these Tracts out of unit production in accordance with the Tract Participations of such Tracts; provided, however, that excess imputed stripper crude oil allocated to each such Tract, when added to the total number of barrels of imputed stripper crude oil previously allocated to it, shall not exceed, in any month, the total number of barrels of oil allocable to it out of unit production in accordance with its Tract Participation.

SECTION 15 D. TAKING UNITIZED SUBSTANCES IN KIND. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of oil and gas rights therein. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose within the Unitized Area, provided the same are so constructed, maintained and operated as not to interfere with Unit Operations. Subject to Section 17 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party taking delivery. In the event any Working Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation then so long as such condition continues, Unit Operator, for the account and at the expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing the operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such production to itself or to others, provided that all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year, and at not less than the prevailing market price in the area for like production, and the account of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner sixty (60) days' notice of such intended sale.

Any Working Interest Owner receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty, overriding royalty and production payments due thereon, and each such party shall hold each other Working Interest Owner harmless against all claims, demands and causes of action by owners of such royalty, overriding royalty and production payments.

If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any Tract or Tracts within the Unit Area not committed hereto as of the Effective Date hereof but which are subsequently committed hereto under the provisions of Section 14 (Tracts Qualified for Participation) and Section 32 (Non-joinder and Subsequent Joinder); or if any Tract is excluded from this Agreement as provided for in Section 21 (Loss of Title), the schedule of participation as shown in Exhibit "B" shall be revised by the Unit Operator; and the revised Exhibit "B", upon approval by the Land Commissioner and the A.O., shall govern the allocation of production on and after the effective date thereof until a revised schedule is approved as hereinabove provided.

SECTION 16. OUTSIDE SUBSTANCES. If gas obtained from formations not subject to this Agreement is introduced into the Unitized Formation for use in repressuring, stimulating of production or increasing ultimate recovery which shall be in conformity with a Plan of Operation first approved by the Land Commissioner and the A.O., a like amount of gas with appropriate deduction for loss or depletion from any cause may be withdrawn from unit wells completed in the Unitized Formation royalty free as to dry gas, but not royalty free as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Operation or as otherwise may be consented to or prescribed by the Land Commissioner and the A.O. as conforming to good petroleum engineering practices and provided further that such right of withdrawal shall terminate on the termination date of this Agreement.

SECTION 17. ROYALTY SETTLEMENT. The State of New Mexico and United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any Tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under the leases, except that such Royalty shall be computed on Unitized Substances as allocated to each Tract in accordance with the terms of this Agreement. With respect to Federal leases committed hereto on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations pertaining to Federal leases as though the committed Tracts were included in a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline runs per well from such Tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon capable of producing Unitized Substances as of the Effective Date hereof, provided that any Tract not having any well so capable of producing Unitized Substances on the Effective Date hereof shall be considered as having one such well for the purpose of this provision.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective Tract or Tracts committed hereto, in lieu of actual production from such Tract or Tracts.

With the exception of Federal and State requirements to the contrary, Working Interest Owners may use or consume Unitized Substances for Unit Operations and no Royalty, overriding royalty, production or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a Tract or Tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted

accordingly.

SECTION 18. RENTAL SETTLEMENT. Rentals or minimum Royalties due on the leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum Royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum Royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless such rental or minimum Royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 19. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 20. DRAINAGE. The Unit Operator shall take all reasonable and prudent measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

The Unit Operator, upon approval by the Working Interest Owners, the A.O. and the Land Commissioner, is hereby empowered to enter into a borderline agreement or agreements with working interest owners of adjoining lands not subject to this Agreement with respect to operation in the border area for the maximum economic recovery, conservation purposes and proper protection of the parties and interest affected.

SECTION 21. LOSS OF TITLE. In the event title to any Tract of unitized land shall fail and the true owner cannot be induced to join in this Agreement, such Tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any Royalty, Working Interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to State or Federal lands or leases, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds shall be deposited as directed by the A.O. or the Land Commissioner (as the case may be) to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

- (a) require that the party to whom such Unitized Substance are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or
- (b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgement of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

Each Working Interest Owner shall indemnify, hold harmless, and defend all other Working Interest Owners against any and all claims by any party against the interest attributed to such Working Interest Owner on Exhibit "B".

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

SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Land Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

- (a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each Tract subject to this Agreement, regardless of whether there is any development of any Tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.
- (b) Drilling, producing or improved recovery operations performed hereunder shall be deemed to be performed upon and for the benefit of each Tract, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.
- (c) Suspension of drilling or producing operations within the Unit Area pursuant to direction or consent of the Land Commissioner and the A.O., or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each Tract within the Unitized Area.

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

(e) Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(f) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the Effective Date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease (including both segregated portions) shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or improved recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(g) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 23. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photo static or certified copy, of the recorded instrument or transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photo static or certified copy, of the recorded instrument or transfer.

SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective on the first day of the calendar month next following the approval of this Agreement by the A.O., the Land Commissioner and the Commission.

If this Agreement does not become effective on or before January 31, 2006, it shall ipso facto expire on said date (hereinafter call "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least seventy-five percent (75%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so extended and this Agreement does not become effective on or before the Extended Expiration Date, it shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Lea County(ies), New Mexico, where a counterpart of this Agreement has become effective according to its terms and stating further the effective date.

The terms of this Agreement shall be for and during the time that Unitized Substances are produced from the unitized land and so long thereafter as drilling, reworking or other operations (including improved recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the Land Commissioner and the A.O. by Working Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable, or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Lea County(ies), New Mexico, within thirty (30) days of the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

Notwithstanding any other provisions in the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 25. RATE OF PROSPECTING, DEVELOPMENT & PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State Statute. The A.O. is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Division to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Land Commissioner and as to any lands in the State of New Mexico or privately-owned lands subject to this Agreement or to the quantity and rate of production from such lands in the absence of specific written approval thereof by the Division.

Powers in this Section vested in the A.O. shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

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

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any interests affected hereby before the Land Commissioner, the Department, and the Division, and to appeal from any order issued under the rules and regulations of the Land Commissioner, the Department or the Division, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Land Commissioner, the Department or the Division or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified or registered mail, addressed to such party or parties at their last known address set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 29. NO WAIVER OF CERTAIN RIGHT. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, each party hereto covenants that it will not resort to any action to partition the unitized land or the Unit Equipment.

SECTION 30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this Agreement various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all purposes of this Agreement, any such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this Agreement, and it is agreed that any such equipment and personal property shall be and remain personal property of the Working Interest Owners for all purposes.

SECTION 31. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue improved recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 32. NONJOINER AND SUBSEQUENT JOINER. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to this Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Agreement.

Any oil or gas interest in the Unitized Formations not committed hereto prior to submission of this Agreement to the Land Commissioner and the A.O. for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Participation) hereof, at any time up to the Effective Date hereof on the same basis of Tract Participation as provided in Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after the Effective Date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by Working Interest Owners owning not less than sixty-five percent (65%) of the Unit Participation then in effect, and approved by the Land Commissioner and the A.O. Such subsequent joinder by a

proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement and, where State or Federal land is involved, such joinder must be approved by the Land Commissioner or the A.O. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective as of the first day of the month following the filing with the Land Commissioner and A.O. of duly executed counterparts of any and all documents necessary to establish effective commitment of any Tract or interest to this Agreement, unless objection to such joinder by the Land Commissioner or the A.O., is duly made sixty (60) days after such filing.

SECTION 33. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing, specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the described Unit Area. Furthermore, this Agreement shall extend to and be binding on the parties hereto, their successors, heirs and assigns.

SECTION 34. JOINER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party; provided, that if the party is the owner of a Working Interest, he must also execute the Unit Operating Agreement.

SECTION 35. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligation as herein provided.

SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the Unit Area in order to ascertain the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 a.m. on the Effective Date hereof. All such oil which has been produced in accordance with established allowables shall be and remain the property of the Working Interest Owner entitled thereto, the same as if the unit had not been formed; and the responsible Working Interest Owner shall promptly remove said oil from the unitized land. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after Effective Date hereof.

If, as of the Effective Date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of over-production has been sold or otherwise disposed of, such over-production shall be regarded as a part of the Unitized Substances produced after the Effective Date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

SECTION 38. NO SHARING OF MARKET. This Agreement is not intended to provide and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Unitized Substances.

SECTION 39. STATUTORY UNITIZATION. If and when Working Interest Owners owning at least seventy-five percent (75%) Unit Participation and Royalty Owners owning at least seventy-five percent (75%) Royalty Interest have become parties to this Agreement or have approved this Agreement in writing and such Working Interest Owners have also become parties to the Unit Operating Agreement, Unit Operator may make application to the Division for statutory unitization of the uncommitted interests pursuant to the Statutory Unitization Act (Chapter 65, Article 14, N.M.S. 1953 Annotated). If such application is made and statutory unitization is approved by the Division, then effective as of the date of the Division's order approving statutory unitization, this Agreement and/or the Unit Operating Agreement shall automatically be revised and/or amended in accordance with the following:

- (1) Section 14 of this Agreement shall be revised by substituting for the entire said section the following:

"SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date hereof, all Tracts within the Unit Area shall be entitled to participation in the production of Unitized Substances."

- (2) Section 24 of this Agreement shall be revised by substituting for the first three paragraphs of said section the following:

"SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become effective on the first day of the calendar month next following the effective date of the Division's order approving statutory unitization upon the terms and conditions of this Agreement, as amended (if any amendment is necessary) to conform to the Division's order: approval of this Agreement, as so amended, by the Land Commissioner; and the A.O. and the filing by Unit Operator of this Agreement or notice thereof for record in the office of the County Clerk of

Lea County(ies), New Mexico. Unit Operator shall not file this Agreement or notice thereof for record, and hence this

Agreement shall not become effective, unless within ninety (90) days after the date all other prerequisites for effectiveness of this Agreement have been satisfied, such filing is approved by Working Interest Owners owning a combined Unit Participation of at least sixty-five percent (65%) as to all Tracts within the Unit Area.

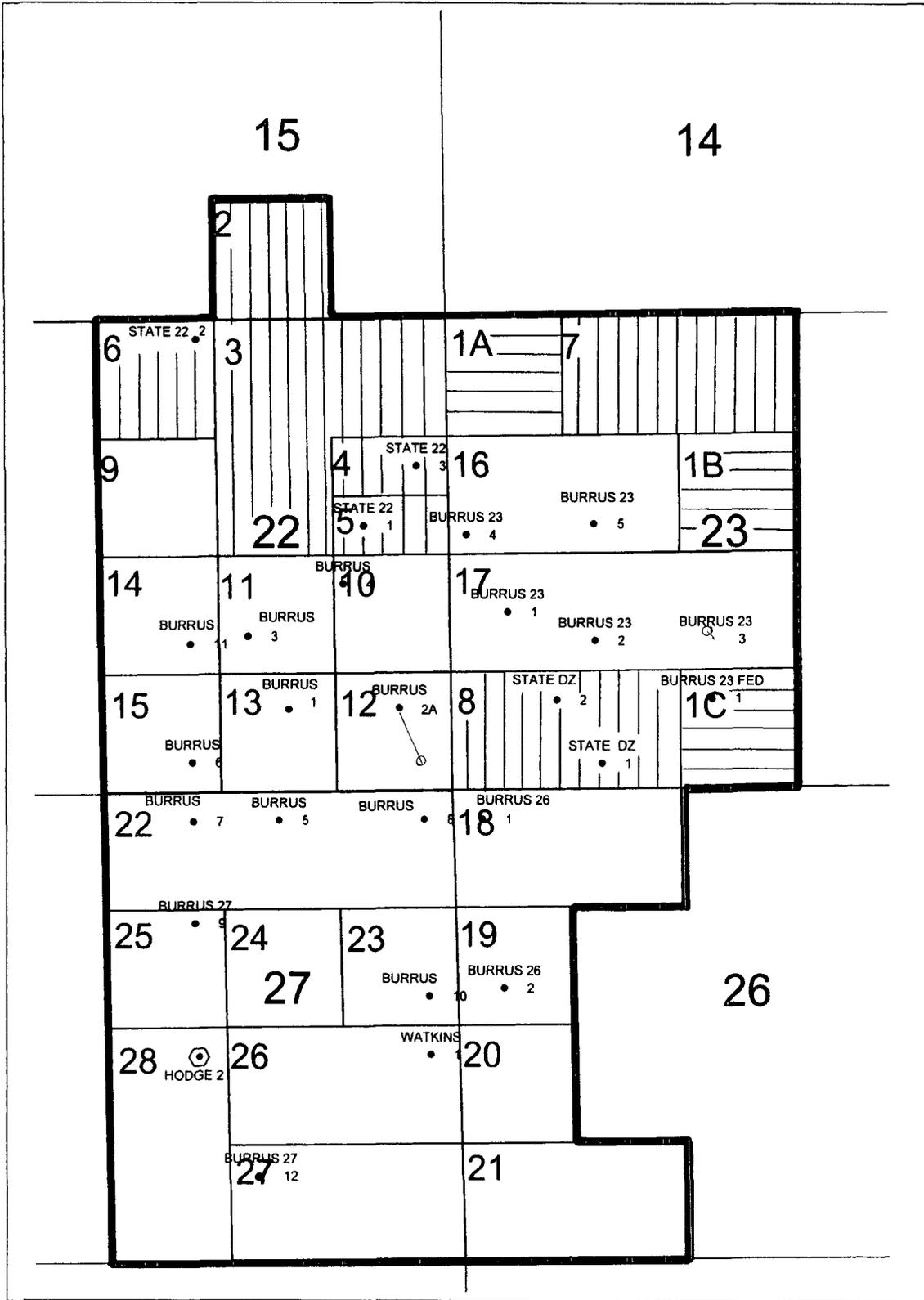
"Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for record in the office of the County Clerk of Lea County(ies), New Mexico, a certificate to the effect that this Agreement has become effective in accordance with its terms, therein identifying the Division's order approving statutory unitization and stating the Effective Date."

(3) This Agreement and/or the Unit Operating Agreement shall be amended in any and all respects necessary to conform to the Division's order approving statutory unitization.

Any and all amendments of this Agreement and/or the Unit Operating Agreement that are necessary to conform said agreements to the Division's order approving statutory unitization shall be deemed to be hereby approved in writing by the parties hereto without any necessity for further approval by said parties, except as follows:

- (a) If any amendment of this Agreement has the effect of reducing any Royalty Owner's participation in the production of Unitized Substances, such Royalty Owner shall not be deemed to have hereby approved the amended agreement without the necessity of further approval in writing by said Royalty Owner; and
- (b) If any amendment of this Agreement and/or the Unit Operating Agreement has the effect of reducing any Working Interest Owner's participation in the production of Unitized Substances or increasing such Working Interest Owner's share of Unit Expense, such Working Interest Owner shall not be deemed to have hereby approved the amended agreements without the necessity of further approval in writing by said Working Interest Owner.

EXHIBIT "A"



TOWNSHIP 12 SOUTH, RANGE 38 EAST
LEA COUNTY, NEW MEXICO

PROPOSED TRINITY BURRUS ABO UNIT
CHESAPEAKE ENERGY CORPORATION

- | | | | |
|---|-----------------------------------|---|-----------------------------------|
|  | Proposed Waterflood Unit Boundary |  | Federal Acreage = 120 acres |
|  | Chesapeake Operated Wells |  | State Acreage = 400 acres |
|  | Energen Resources Operated Wells |  | Fee Acreage = 1200 acres |
| | | | Total Acreage = 1720 acres |

EXHIBIT B

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AGE	ORRI OWNER PERCENT AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
1a	NW NW	120	NM-109434	USA	0.12500000	Doug J. Schultz	NONE		Chesapeake Investments	0.02500000
1b & 1c	SW SE of SW NE of Section 23, T12S-R38E, Burrus #23 Federal 1 well		12/1/2002 HBP						Chesapeake TLW Investments Claude C. Arnold Working Interest Oil & Gas Properties, LLC Blake Arnold Working Interest Oil & Gas Properties, LLC	0.80000000 0.02500000 0.12000000 0.03000000
2	SW SE of Section 15, T12S-R38E	40	VO-6642	State of New Mexico	0.16666667	Ricks Exploration Inc.	Kent Johnson L. Boyd Elliott, Jr. Gregory A. Wilson Environmental Risk Reduction, Inc William C. Dean Robert C. Callan, Jr. Allante Joint Venture	0.00185000 0.00185000 0.00185000 0.00185000 0.00185000 0.02000000	Chesapeake Stephen R. Howard Claude C. Arnold Working Interest Blake Arnold Working Interest H.J. Freede, Inc. Rehoboth, Inc. Tropical Mineral, Inc. J. Durwood Pate, Jr. Trust 8/8/86 James D. Pate, Jr. Trust 8/8/86 Monarch Resources LLC Joe H. Pate Trust David C. Story Cardinal River Farm, Inc. Larry Fenity	0.55500000 0.02500000 0.14000000 0.09600000 0.09600000 0.01200000 0.01200000 0.01200000 0.01200000 0.06000000 0.03000000 0.01200000
3	N/2 NE & SW NE of Section 22, T12S-R38E	120	VO-6517	State of New Mexico	0.16666667	Ricks Exploration Inc.	Kent Johnson L. Boyd Elliott, Jr. Gregory A. Wilson Environmental Risk Reduction, Inc. William C. Dean Robert C. Callan, Jr. Victor T. Linck Fred C. Bryla Larry W. Lathrop Karen S. Linck Patricia S. Thompson	0.00090000 0.00090000 0.00090000 0.00090000 0.00090000 0.00827531 0.00649241 0.00558338 0.00537338 0.00052552	Claude Arnold Working Interest Oil & Gas Properties, LLC Blake Arnold working Interest Oil & Gas Properties, LLC H.J. Freede, Inc. Rehoboth, Inc. Cardinal River Farm, Inc. Larry Fenity Tropical Minerals, Inc. J. Durwood Pate Trust James D. Pate Jr., Trust Monarch Resources Joe H. Pate Trust David C. Story Chesapeake	0.10800000 0.02700000 0.02700000 0.02700000 0.02250000 0.00900000 0.00900000 0.00900000 0.00900000 0.00900000 0.00900000 0.00900000 0.00450000 0.68500000

TRACT NO.	TRACT DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT AGE	WORKING INTEREST OWNER	WI PERCENT AGE INTEREST
4	N/2 SE NE of Section 22, T12S-R38E	20	VO-6517	State of New Mexico	0.1666667	Ricks Exploration Inc.	Robert C. Callan, Jr. Leo Boyd Elliott, Jr. William C. Dean	0.00090000 0.00090000 0.00090000	Before Payout TLW Investments, Inc. Claude Arnold WI O&G Prop LLC	0.02500000 0.10800000
	State #22-3 well						Environmental Risk Reduction Don Kent Johnson Gregory A. Wilson	0.00090000 0.00090000 0.00090000	Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust	0.02700000 0.07200000 0.01510334
							Fred C. Bryla Karen S. Linck	0.00649241 0.00537338	James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc.	0.01510334 0.01510334
							Larry W. Lathrop Patricia S. Thompson Victor T. Linck	0.00568337 0.00052553 0.00827531	J. Durwood Pate TR DTD 4/16/89 J Durwood Pate TRST Cardinal River Energy Company Larry Fenity	0.01510334 0.03775834 0.00900000 0.01510334
									Monarch Resources LLC Chesapeake Investments Chesapeake Rehoboth Inc. David C. Story	0.02500000 0.57091495 0.04531001 0.00450000
									After Payout of 400% TLW Investments, Inc.	0.01489737 0.10800000
									Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc.	0.02700000 0.07200000
									Joe H. Pate TR, Joe H. Trust James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc.	0.00900000 0.00900000 0.00900000
									J. Durwood Pate TR DTD 4/16/89 J Durwood Pate TRST Cardinal River Energy Company Larry Fenity	0.00900000 0.02250000 0.00900000 0.00900000
									Monarch Resources LLC Chesapeake Investments Rehoboth Inc. David C. Story	0.01489737 0.65520526 0.02700000 0.00450000
5	S/2 SE NE of Section 22, T12S-R38E	20	VO-6517	State of New Mexico	0.1666667	Ricks Exploration Inc.	Robert C. Callan, Jr. Leo Boyd Elliott, Jr. William C. Dean	0.00090000 0.00090000 0.00090000	Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc.	0.10800000 0.02700000 0.07200000

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
	State #22-1 well						Environmental Risk Reduction	0.00090000	Joe H. Pate TR, Joe H. Trust	0.00900000
						Don Kent Johnson		0.00090000	James D. Pate Jr Trst	0.00900000
						Gregory A. Wilson		0.00090000	Tropical Minerals, Inc.	0.00900000
						Fred C. Bryla		0.00649241	J. Durwood Pate TR DTD 4/16/89	0.00900000
						Karen S. Linck		0.00537338	J Durwood Pate TRST	0.02250000
						Larry W. Lathrop		0.00558337	Cardinal River Energy Company	0.00900000
						Patricia S. Thompson		0.00052553	Larry Fenly	0.00900000
						Victor T. Linck		0.00827531	Monarch Resources LLC	0.00900000
									Chesapeake	0.68500000
									Rehoboth Inc.	0.02700000
									David C. Story	0.00450000
6	NE NW of Section 22, T12S-38S	40	VO-6517	State of New Mexico	0.16666667	Ricks Exploration Inc.	Kent Johnson	0.00090000	Before Payout	
							L. Boyd Elliott, Jr.	0.00090000	TLW Investments, Inc.	0.02500000
							Gregory A. Wilson	0.00090000	Claude Arnold WI O&G Prop LLC	0.10800000
							Environmental Risk Reduction, Inc.	0.00090000	Blake Arnold Working Interest Oil & Gas Properties LLC	0.02700000
							William C. Dean	0.00090000	H. J. Freede, Inc.	0.07200000
							Robert C. Callan, Jr.	0.00090000	Tropical Minerals, Inc.	0.00936930
							Victor T. Linck	0.00827531	Cardinal River Energy Company	0.02342325
							Fred C. Bryla	0.00649241	Larry Fenly	0.00900000
							Larry W. Lathrop	0.00558338	Monarch Resources LLC	0.00936930
							Karen S. Linck	0.00537338	Chesapeake Investments	0.02500000
							Patricia S. Thompson	0.00052552	Chesapeake	0.65904560
									Rehoboth Inc.	0.02810790
									David C. Story	0.00468465
									After Payout of 300%	
									TLW Investments, Inc.	0.01389352
									Claude Arnold WI O&G Prop LLC	0.10800000
									Blake Arnold Working Interest Oil & Gas Properties LLC	0.02700000
									Dr. H. J. Freede, Inc.	0.07200000
									Tropical Minerals, Inc	0.00936930
									Cardinal River Energy Company	0.02342325
									Larry Fenly	0.00900000
									Monarch Resources LLC	0.00936930
									Chesapeake Investments	0.01389352
									Chesapeake	0.68125856
									Rehoboth Inc.	0.02810790
									David C. Story	0.00468465
									After Payout of 400%	
									TLW Investments, Inc.	0.01304571

TRACT DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WI PERCENT-AGE INTEREST
		Meagan Smith Field	0.00250000	Ricks Exploration Inc.	William C. Dean	0.00087500	0.02500000 Cardinal River Farm, Inc.
		Dan Field	0.02565100	Concho Oil and Gas L P	Robert C. Callan	0.00087500	0.01000000 Larry Fenity
		Mike Field	0.02096350	Ricks Exploration Inc.	Victor T. Linck	0.00482726	0.01000000 Tropical Minerals, Inc.
		Janet Leigh Montoya	0.00147570	Ricks Exploration Inc.	Fred C. Bryla	0.00378724	0.01000000 J. Durwood Pate Trust
		Jo Nell Ingram	0.00147570	Ricks Exploration Inc.	Larry W. Lathrop	0.00325697	0.01000000 James D. Pate, Jr., Trust
		Field Irwin	0.00147570	Ricks Exploration Inc.	Karen S. Linck	0.00313447	0.01000000 Monarch Resources, LLC
		Geraldine Hisel	0.00442710	Ricks Exploration Inc.	Patricia S. Thompson	0.00030656	0.01000000 Joe H. Pate Trust
							0.00500000 David C. Story
							0.65000000 Chesapeake
10	NE SE of	07 Ranch Mineral Ltd Partnership	0.11328130	Gary L. Kiehne	Robert C. Callan Jr	0.00040000	0.06720000 Claude Arnold WI O&G Prop LLC
	Section 22,	Anita Field Irrevocable Trust FNB	0.02500000	Gary L. Kiehne	Enerstar Resources O&G LLC	0.00135000	0.05280000 Blake Arnold Working Interest Oil
	T12S-R38E	Brownfield Successor Trustee	0.02565100	Gary L. Kiehne	Leo Boyd Elliott	0.00040000	0.06400000 H. J. Freede, Inc.
	Burrus #4 well	Field Irwin	0.00147570	Gary L. Kiehne	Bob Blundell	0.00090000	0.00800000 Joe H. Pate TR, Joe H. Trust
		Geraldine Hisel	0.00442710	Gary L. Kiehne	Peak Investments	0.00075000	0.00800000 James D. Pate Jr Trst
		Janet Leigh Montoya	0.00147570	Gary L. Kiehne	William C. Dean	0.00040000	0.00800000 Tropical Minerals, Inc.
		Jo Nell Ingram	0.00147570	Gary L. Kiehne	Discovery Exploration	0.00450000	0.00800000 J. Durwood Pate TR DTD 4/16/89
		Megan Smith Field	0.00250000	Gary L. Kiehne	Environmental Risk Reduction	0.00040000	0.02000000 Cardinal River Energy Company
		Mike Field	0.02096350	Gary L. Kiehne	James P. Hodge	0.00600000	0.00800000 Larry Fenity
		Sarah K. Burrus	0.00250000	Gary L. Kiehne	Don Kent Johnson	0.00040000	0.00800000 Monarch Resources LLC
		Sarah K Burrus Trustee	0.00750000	Gary L. Kiehne	Jon G. Massey	0.00750000	0.72000000 Chesapeake
					Chesapeake Permian LP	0.00165000	0.02400000 Fehoboth Inc.
					Ogallala Resources Inc.	0.00040000	0.00400000 David C. Story
					Centerpoint Resources Inc.	0.00500000	
					Claudia J. Roebuck	0.00060000	
					Diana Wickham	0.00060000	
					Star Inc.	0.00400000	
11	NW SE of	07 Ranch Mineral Ltd Partnership	0.11328130	Gary L. Kiehne	Robert C. Callan Jr	0.00040000	0.10889900 Before Payout
	Section 22,	Anita Field Irrevocable Trust FNB	0.02500000	Gary L. Kiehne	Enerstar Resources O&G LLC	0.00135000	0.08556350 Claude Arnold WI O&G Prop LLC
	T12S-R38E	Brownfield Successor Trustee	0.02565100	Gary L. Kiehne	Leo Boyd Elliott	0.00040000	0.08556350 Blake Arnold Working Interest Oil
	Burrus #3 well	Field Irwin	0.00147570	Gary L. Kiehne	Bob Blundell	0.00090000	0.10371330 H. J. Freede, Inc.

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
				Geraldine Hisel	0.00442710	Gary L. Kiehne	Peak Investments	0.00075000	Joe H. Pate TR, Joe H. Trust	0.01296420
				Janet Leigh Montoya Jo Nell Ingram	0.00147570 0.00147570	Gary L. Kiehne Gary L. Kiehne	William C. Dean Discovery Exploration	0.00040000 0.00450000	James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc.	0.01296420 0.01296420
				Megan Smith Field Mike Field Sarah K. Burrus Sarah K Burrus Trustee	0.00250000 0.02096350 0.00250000 0.00750000	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Environmental Risk Reduction James P. Hodge Don Kent Johnson Jon G. Massey Chesapeake Permian LP Ogallala Resources Inc. Centerpoint Resources Inc. Claudia J. Roebuck Diana Wickham Star Inc.	0.00040000 0.00600000 0.00040000 0.00750000 0.00165000 0.00040000 0.00500000 0.00060000 0.00060000 0.00400000	J. Durwood Pate TR DTD 4/16/89 J. Durwood Pate TRST Cardinal River Energy Company Larry Fenity Monarch Resources LLC Chesapeake Rehoboth Inc. David C. Story	0.01296420 0.03241040 0.01296420 0.01296420 0.54625400 0.03889250 0.00648210
									After Payout of 400%	
									Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc.	0.06720000 0.05280000 0.06400000
									Joe H. Pate TR, Joe H. Trust James D. Pate Jr Trst Tropical Minerals, Inc.	0.00800000 0.00800000
									J. Durwood Pate TR DTD 4/16/89 J. Durwood Pate TRST Cardinal River Energy Company Larry Fenity Monarch Resources LLC Chesapeake Rehoboth Inc. David C. Story	0.00800000 0.00800000 0.02000000 0.00800000 0.00800000 0.72000000 0.02400000 0.00400000
12	SE SE of Section 22, T12S-R38E Burrus #2A well	40		07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee	0.11328130 0.02500000	Gary L. Kiehne Gary L. Kiehne	Robert C. Callan Jr Enerstar Resources O&G LLC	0.00040000 0.00135000	Before Payout Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC Tropical Minerals, Inc. Cardinal River Energy Company Larry Fenity Monarch Resources LLC Chesapeake David C. Story	0.13326016 0.10470438 0.01586433 0.03966078 0.00800000 0.00982983 0.6822499 0.00645554

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
							Chesapeake Permian LP	0.00715000	After Payout of 400%	
							Gregory A. Wilson	0.00040000	Claude Arnold WI O&G Prop LLC	0.06720000
							Centerpoint Resources Inc.	0.00500000	Blake Arnold Working Interest Oil & Gas Properties LLC	0.05280000
							Claudia J. Roebuck	0.00060000	H. J. Freede, Inc.	0.06400000
							Diana Wickham	0.00060000	Joe H. Pate TR, Joe H. Trust	0.00800000
							Star Inc.	0.00400000	James D. Pate Jr TR DTD 8/8/86	0.00800000
									James D. Pate Jr Trst	0.00800000
									Tropical Minerals, Inc.	0.00800000
									J. Durwood Pate TR DTD 4/16/89	0.00800000
									J Durwood Pate TRST	0.02000000
									Cardinal River Energy Company	0.00800000
									Larry Fenity	0.00800000
									Monarch Resources LLC	0.00800000
									Chesapeake	0.72000000
									Rehoboth Inc.	0.02400000
									David C. Story	0.00400000
13	SW SE of Section 22 T12S-R38E Burrus #1 well	40		07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee Dan Field Field Irwin	0.11328130 0.02500000 0.02565100 0.00147570	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Robert C. Callan Jr Enerstar Resources O&G LLC Leo Boyd Elliott Bob Blundell	0.00040000 0.00135000 0.00040000 0.00090000	Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust	0.08392910 0.03607090 0.06400000 0.00800000
				Geraldine Hisel Janet Leigh Montoya	0.00442710 0.00147570	Gary L. Kiehne Gary L. Kiehne	Peak Investments William C. Dean	0.00075000 0.00040000	James D. Pate Jr Trst Tropical Minerals, Inc.	0.00800000 0.00800000
				Jo Nell Ingram Megan Smith Field Mike Field Sarah K. Burrus Sarah K Burrus Trustee	0.00147570 0.00250000 0.02096350 0.00250000 0.00750000	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Discovery Exploration Environmental Risk Reduction James P. Hodge Don Kent Johnson Jon G. Massey Chesapeake Permian L.P.	0.00450000 0.00040000 0.00600000 0.00040000 0.00750000 0.00165000	J Durwood Pate TR DTD 4/16/89 Cardinal River Energy Company Larry Fenity Monarch Resources LLC Chesapeake Rehoboth Inc.	0.00800000 0.02000000 0.00800000 0.00800000 0.72000000 0.02400000
							Gregory A. Wilson	0.00040000	David C. Story	0.00400000
							Centerpoint Resources Inc.	0.00500000		
							Claudia J. Roebuck	0.00060000		
							Diana Wickham	0.00060000		
							Star Inc.	0.00400000		
14	NE SW of Section 22 T12S-R38E Burrus #11 well	40		07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee Dan Field Field Irwin	0.11328130 0.02500000 0.02565100 0.00147570	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Robert C. Callan Jr Enerstar Resources O&G LLC Leo Boyd Elliott Bob Blundell	0.00040000 0.00135000 0.00040000 0.00090000	Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust	0.09611110 0.02402780 0.06400000 0.00800000

TRACT DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT AGE	WORKING INTEREST OWNER	WI PERCENT AGE INTEREST
		Geraldine Hisel Janet Leigh Montoya	0.00442710 0.00147570	Gary L. Kiehne Gary L. Kiehne	Peak Investments William C. Dean	0.00075000 0.00040000	James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc. J. Durwood Pate TR DTD 4/16/89	0.00800000 0.00800000 0.00800000
		Jo Nell Ingram Megan Smith Field Mike Field Sarah K Burrus Sarah K Burrus Trustee	0.00147570 0.00250000 0.02096350 0.00250000 0.00750000	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Discovery Exploration Environmental Risk Reduction James P. Hodge Don Kent Johnson Jon G. Massey (Chesapeake Permian LP Gregory A. Wilson Centerpoint Resources Inc. Claudia J. Roebuck Diana Wickham Star Inc.	0.00450000 0.00040000 0.00600000 0.00040000 0.00750000 0.00165000 0.00040000 0.00500000 0.00060000 0.00060000 0.00400000	J Durwood Pate TRST Cardinal River Energy Company Larry Fenly Monarch Resources LLC Chesapeake Rehoboth Inc. David C. Story	0.02002310 0.00800000 0.00800990 0.71981480 0.02400000 0.00400460
15	SE SW of Section 22, T12S-R38E Burrus #6 well	07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee Dan Field Field Irwin	0.11328130 0.02500000 0.02565100 0.00147570	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Robert C. Callan Jr Enerstar Resources O&G LLC Leo Boyd Elliott Bob Blundell	0.00040000 0.00135000 0.00040000 0.00090000	Claude Arnold W I O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust	0.06720000 0.05280000 0.06400000 0.00800000
		Geraldine Hisel Janet Leigh Montoya	0.00442710 0.00147570	Gary L. Kiehne Gary L. Kiehne	Peak Investments William C. Dean	0.00075000 0.00040000	James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc. J. Durwood Pate TR DTD 4/16/89	0.00800000 0.00800000 0.00800000
		Jo Nell Ingram Megan Smith Field Mike Field Sarah K Burrus Sarah K Burrus Trustee	0.00147570 0.00250000 0.02096350 0.00250000 0.00750000	Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne Gary L. Kiehne	Discovery Exploration Environmental Risk Reduction James P. Hodge Don Kent Johnson Jon G. Massey (Chesapeake Permian LP Gregory A. Wilson Centerpoint Resources Inc. Claudia J. Roebuck Diana Wickham Star Inc.	0.00450000 0.00040000 0.00600000 0.00040000 0.00750000 0.00165000 0.00040000 0.00500000 0.00060000 0.00060000 0.00400000	J Durwood Pate TRST Cardinal River Energy Company Larry Fenly Monarch Resources LLC Chesapeake Rehoboth Inc. David C. Story	0.00800000 0.02000000 0.00800000 0.00800000 0.72000000 0.02400000 0.00400000
16	S/2 NW of Section 23, T12S-R38E	07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee Dan Field	0.06328130 0.02500000	Continental Land Resources, LLC Continental Land Resources, LLC	Robert C. Callan, Jr. Leo Boyd Elliott, Jr.	0.00087500 0.00087500	TLW Investments, Inc. Claude Arnold W I O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC	0.02500000 0.12000000 0.03000000

TRACT NO.	DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
	Burrus 23-4 & 23-5 wells		Field Irwin Geraldine Hisel Janet Leigh Montoya Jo Nell Ingram Mabel Nancy Field Irr. Trust Megan Smith Field Mike Field Sarah K. Burrus Sarah K. Burrus Trustee Sarah K. Burrus Trustee U/W/O Mabel Field Decd F/B/O Clint Field Burrus Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00147570 0.00442710 0.00147570 0.00147570 0.02500000 0.00250000 0.02096350 0.01064000 0.00750000 0.00833000 0.00833000	Continental Land Resources, LLC Continental Land Resources, LLC	Environmental Risk Reduction Don Kent Johnson Gregory A. Wilson Claudia J. Roebuck Diana Wickham Fred C. Bryla Karen S. Linck Larry W. Lathrop Patricia S. Thompson Victor T. Linck	0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00482730 Rehoboth Inc. David C. Story	H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc. J. Durwood Pate TR DTD 4/16/89 J. Durwood Pate TRST Cardinal River Energy Company Larry Fenity Monarch Resources LLC Chesapeake Investments Chesapeake Chesapeake Rehoboth Inc. David C. Story	0.08000000 0.01000000 0.01000000 0.01000000 0.01000000 0.02500000 0.01000000 0.01000000 0.02500000 0.60000000 0.03000000 0.00500000
17	Lots 2, 3, 4, NW SE, N/2 SW & S/2 NW of Section 23, T12S-R38E	120	07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee Dan Field Field Irwin Geraldine Hisel Janet Leigh Montoya Jo Nell Ingram Mabel Nancy Field Irr. Trust Megan Smith Field Mike Field	0.06328130 0.02500000 0.02565100 0.00147570 0.00442710 0.00147570 0.00147570 0.02500000 0.00250000 0.02096350	Continental Land Resources, LLC Continental Land Resources, LLC Steven W. Horn Continental Land Resources, LLC Continental Land Resources, LLC	Robert C. Callan, Jr. Leo Boyd Elliott, Jr. William C. Dean Environmental Risk Reduction Don Kent Johnson Gregory A. Wilson Claudia J. Roebuck Diana Wickham Fred C. Bryla Karen S. Linck	0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00087500 0.00482730 Rehoboth Inc. David C. Story	Claude Arnold W/O & G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc. J. Durwood Pate TR DTD 4/16/89 J. Durwood Pate TRST Cardinal River Energy Company Larry Fenity Monarch Resources LLC	0.08400000 0.06600000 0.08000000 0.01000000 0.01000000 0.02500000 0.01000000 0.01000000 0.01000000 0.60000000 0.03000000 0.00500000

TRACT DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
		Sarah K. Burrus	0.01084000	Continental Land Resources, LLC	Larry W. Lathrop	0.00325700	Chesapeake	0.65000000
		Sarah K. Burrus Trustee	0.00750000	Continental Land Resources, LLC	Patricia S. Thompson	0.00030650	Rehoboth Inc.	0.03000000
		Sarah K. Burrus Trustee U/W/O Mabel Field Decd F/B/O Clint Field Burrus	0.00833000	Continental Land Resources, LLC	Victor T. Linck	0.00482730	David C. Story	0.00500000
		Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00833000	Continental Land Resources, LLC				
18 N/2 NW	80	The Blanco Company	0.00106840	Participating Int.	Robert C. Callan, Jr.	0.00079800	Claude Arnold W/O&G Prop LLC	0.08256409
Section 26, T12S-R38E		June Danglede Speight Charles B. Read	0.01282050	Steven W. Horn	Leo Boyd Elliott, Jr.	0.00079810	Blake Arnold Working Interest Oil & Gas Properties LLC	0.06487171
Burrus #26-1 well		07 Ranch Mineral Ltd Partnership	0.00106840	Participating Int.	William C. Dean	0.00079810	H. J. Freede, Inc.	0.07863250
		Anita Field Irrevocable Trust	0.06328130	Resources LLC	Environmental Risk Reduction	0.00079810	Joe H. Pate TR, Joe H. Trust	0.00982910
		Dan Field	0.01474360	Resources LLC	Don Kent Johnson	0.00079810	James D. Pate Jr TR DTD 8/8/86	0.00982910
		Field Irwin	0.02565100	Steven W. Horn	Gregory A. Wilson	0.00079800	James D. Pate Jr Trst	0.00982910
		First Roswell Company	0.00147570	Steven W. Horn	Claudia J. Roebuck	0.00059860	Tropical Minerals, Inc.	0.00982910
		Geraldine Hise	0.00213680	Steven W. Horn	Diana Wickham	0.00059860	J. Durwood Pate TR DTD 4/16/89	0.00982910
		Janet Leigh Montoya	0.00442710	Steven W. Horn	Fred C. Bryla	0.00345430	J Durwood Pate TR TRST	0.02457260
		Jo Nell Ingram	0.00147570	Steven W. Horn	Karen S. Linck	0.00285890	Cardinal River Energy Company	0.00982910
		Mabel Nancy Field Irrevocable Trst	0.00147570	Steven W. Horn	Larry W. Lathrop	0.00297060	Larry Fenity	0.00982910
		Megan Smith Field	0.02500000	Steven W. Horn	Patricia S. Thompson	0.00027960	Monarch Resources LLC	0.00982910
		Mike Field	0.00147440	Steven W. Horn	Victor T. Linck	0.000440290	Chesapeake	0.63888890
		Sarah K. Burrus	0.02096350	Steven W. Horn			Blanco Company	0.00854700
		Sarah K. Burrus Trustee	0.00981440	Steven W. Horn			Charles B. Read	0.00854700
		Sarah K. Burrus Trustee U/W/O Mabel Field Decd F/B/O Clint Field Burrus	0.00442310	Steven W. Horn			Rehoboth Inc.	0.02948710
		Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00833000	Steven W. Horn			David C. Story	0.00491450
19 SW NW of Section 26, T12S-R38E	40	The Blanco Company	0.00833000	Steven W. Horn	Robert C. Callan, Jr.	0.00079800	Before Payout	
		June Danglede Speight Charles B. Read	0.01282050	Steven W. Horn	Leo Boyd Elliott, Jr.	0.00079810	TLW Investments Inc.	0.02500000
		07 Ranch Mineral Ltd Partnership	0.00106840	Participating Int.	William C. Dean	0.00079810	Claude Arnold W/O&G Prop LLC	0.11794870
Burrus #26-2			0.06328130	Resources LLC	Environmental Risk Reduction	0.00079810	Blake Arnold Working Interest Oil & Gas Properties LLC	0.02948710

TRACT DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
well			Anita Field Irrevocable Trust FNB Brownfield Successor Trustee Dan Field	0.01474360 0.02565100	Continental Land Resources LLC Steven W. Horn	Don Kent Johnson Gregory A. Wilson	0.00079810 0.00079810	H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust James D. Pate Jr TR DTD 8/8/86	0.07863250 0.00982910
			Field Irwin First Roswell Company	0.00147570 0.00213680	Steven W. Horn Steven W. Horn	Claudia J. Roebuck Diana Wickham	0.00059860 0.00059860	James D. Pate Jr Trst Tropical Minerals, Inc. J. Durwood Pate TR DTD 4/16/89	0.00982910 0.00982910
			Geraldine Hisel Janet Leigh Montoya Jo Nell Ingram	0.00442710 0.00147570 0.00147570	Steven W. Horn Steven W. Horn Steven W. Horn	Fred C. Blyla Karen S. Linck Larry W. Lathrop	0.00345430 0.00285890 0.00297060	J Durwood Pate TRST Cardinal River Energy Company Larry Fenity	0.00982910 0.02457260 0.00982910
			Mabel Nancy Field Irrevocable Tst Megan Smith Field Mike Field	0.02500000 0.00147440 0.02096350	Steven W. Horn Steven W. Horn Steven W. Horn	Patricia S. Thompson Victor T. Linck	0.00027960 0.00440290	Monarch Resources LLC Chesapeake Investments Chesapeake	0.00982910 0.02500000 0.58888890
			Sarah K. Burrus Sarah K. Burrus Trustee	0.00981440 0.00442310	Steven W. Horn Steven W. Horn			Blanco Company Charles B. Read	0.00854700 0.00854700
			Sarah K. Burrus Trustee UW/O Mabel Nancy Field Decd F/B/O Clint Field Burrus	0.00833000	Steven W. Horn			Rehoboth Inc.	0.02948710
			Sarah K. Burrus Trustee UW/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00833000	Steven W. Horn			David C. Story	0.00491450
								After Payout of 300% TLW Investments Inc.	
								Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC	0.01153846 0.11794870 0.02948710
								H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust James D. Pate Jr TR DTD 8/8/86	0.07863250 0.00982910
								James D. Pate Jr Trst Tropical Minerals, Inc.	0.00982910 0.00982910
								J. Durwood Pate TR DTD 4/16/89 J Durwood Pate TRST	0.00982910 0.00982910
								Cardinal River Energy Company Larry Fenity	0.02457260 0.00982910
								Monarch Resources LLC Chesapeake Investments Chesapeake	0.00982910 0.01153846 0.61581198
								Blanco Company Charles B. Read Rehoboth Inc.	0.00854700 0.00854700 0.02948710
								David C. Story	0.00491450
20 NW SW of Section 26,	40		Jimmy P. Hodge Joyce Sellers	0.01562500 0.01562500	Steven W. Horn Steven W. Horn	Allante Joint Venture Stephen R. Howard	0.00758654 0.00211635	Chesapeake Claude Arnold WI O&G Prop LLC	0.71104182 0.02062500

TRACT NO.	DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER PERCENT-AGE	ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
T12S-R38E			Joyce Burt	0.01250000	Steven W. Horn			Blake Arnold Working Interest Oil & Gas Properties LLC	0.00515625
			Janice D. Maxwell	0.00825000	Steven W. Horn			UNLEASED OF RECORD	0.26317693
			Manon Markham McMullen	0.02976200					
			Roderick Allen Markham	0.02976200					
			Bill J. Markham and Rosemarie Markham, Co-Trustees of the Bill J Markham Estate Trust	0.00793700					
			C.B. Markham, Jr., and Bessie Markham, Co-Trustees of the C.B. Markham, Jr. Estate Trust	0.00396800					
			Albert David White, Jr.	0.00099200	Steven W. Horn				
			Donald Marshall Markham and LaDonna Rieger Markham, Trustees of the Donald Marshall Markham Family Trust	0.00049600	Matrix NM Holdings, LLC				
			Clarence Richard Markham and Joyce Stanley Markham, Trustees of the Clarence Richard Markham Family Trust	0.00198400					
			William Ray Proctor	0.00049600	Steven W. Horn				
			James Russell Proctor	0.00049600	Steven W. Horn				
			Margaret Hannifin Wygocki for life, remainder to her issue	0.00067100	Steven W. Horn				
			Betty Hannifin Akins for life, remainder to her issue	0.00067100	Steven W. Horn				
			Patrick J. Hannifin, as Trustee of the P.J. Hannifin Family Trust, for the life of Patrick J. Hannifin, remainder to the issue of Patrick J. Hannifin	0.00067100	Steven W. Horn				
			Kathryn Hannifin McCormick for life, remainder to her issue	0.00067100	Steven W. Horn				
			Robert H. Hannifin for life, remainder to Hannifin Bros. LLC	0.00067100	Steven W. Horn				
			Nuevo Seis Limited Partnership	0.00067100	Steven W. Horn				
			New Mexico Western Minerals,	0.00966180	Steven W. Horn				
			Pitch Energy Corporation	0.00402575	Matrix NM Holdings, LLC				
			Tex Zia Properties, Ltd.	0.00402575	Matrix NM Holdings, LLC				
			Noelle M. Anderson, James R. Anderson, Joseph J. Anderson and C. Robert Anderson, as joint tenants	0.01773850	Steven W. Horn				
			Philip Henry Ingber	0.00377425	Concho Oil & Gas LP				

TRACT DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	WI ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
		Peter Sexton Ingber	0.00377425	Concho Oil & Gas LP				
		Nancy Ingber Brown	0.01509700					
		Helen Steckmest Finne	0.00283069	Concho Oil & Gas LP				
		Capt. Jhens Feragen, whose wife is Sigrud Feragen	0.01509700					
		Ragnhilde Marie Poulisson Levine	0.00754800					
		Harald Muller, whose wife is Helen K. Muller	0.00754800					
		Erik Krag, whose wife is Dagny Krag	0.01132250	Steven W. Horn				
		Lyman W. Bruce	0.01132200					
		Myrtle Bruce	0.01132200					
		The heirs or devisees of Mr. and Mrs. Peter J. Gundlach	0.02264500					
		Einar Petersen	0.04529000					
		Gudmund Olsen, whose wife is Caren Olsen	0.02264500					
		Ann Dennard Allison	0.01562500	Steven W. Horn				
		Michael Heird Moore	0.01250000	Steven W. Horn				
		David H. Arrington	0.03125000					
		Davis A. Coppedge	0.00292969	Steven W. Horn				
		James T. Coppedge	0.00292969	Steven W. Horn				
		Brent W. McWhorter	0.00781250	Concho Oil & Gas LP				
		Mary J. McWhorter	0.00781250	Matrix NIM Holdings, LLC				
21	S/2 SW of Section 26 T12S-R38E	Jimmy P. Hodge	0.00976563	Steven W. Horn	Allante Joint Venture	0.00758654	Chesapeake	0.70401032
		Joyce Sellers	0.00976563	Steven W. Horn	Stephen R. Howard	0.00211635	Claude C. Arnold WI O&G Prop	0.02625000
		Joyce Burt	0.00781250	Steven W. Horn			Blake C. Arnold WI O&G Prop	0.00656250
		Janice D. Maxwell	0.00390625	Steven W. Horn			UNRELEASED OF RECORD	0.26317718
		Teddy Lowe Hartley	0.01562500	Steven W. Horn				
		Robert Thomas Hartley	0.01562500	Steven W. Horn				
		Manon Markham McMullen	0.02976200					
		Roderick Allen Markham	0.02976200					
		Bill J. Markham and Rosemarie Markham, Co-Trustees of the Bill J Markham Estate Trust	0.00793700					
		C.B. Markham, Jr., and Bessie Markham, Co-Trustees of the C.B. Markham, Jr. Estate Trust	0.00396800					
		Albert David White, Jr.	0.00099200	Steven W. Horn				

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WI PERCENT-AGE INTEREST
				Donald Marshall Markham and LaDonna Rieger Markham, Trustees of the Donald Marshall Markham Family Trust	0.00049600	Matrix NM Holding LLC			
				Clarence Richard Markham and Joyce Stanley Markham, Trustees of the Clarence Richard Markham Family Trust	0.00198400				
				William Ray Proctor	0.00049600	Steven W. Horn			
				James Russell Proctor	0.00049600	Steven W. Horn			
				Margaret Hannifin Wygocki for life, remainder to her issue	0.00067100	Steven W. Horn			
				Betty Hannifin Akins for life, remainder to her issue	0.00067100	Steven W. Horn			
				Patrick J. Hannifin, as Trustee of the P.J. Hannifin Family Trust, for the life of Patrick J. Hannifin, remainder to the issue of Patrick J. Hannifin	0.00067100	Steven W. Horn			
				Kathryn Hannifin McCormick for life, remainder to her issue	0.00067100	Steven W. Horn			
				Robert H. Hannifin for life, remainder to Hannifin Bros, LLC	0.00067100	Steven W. Horn			
				Nuevo Seis Limited Partnership	0.00067100	Steven W. Horn			
				New Mexico Western Minerals,	0.00966180	Steven W. Horn			
				Pitch Energy Corporation	0.00402575	Holding LLC			
				Tex Zia Properties, Ltd.	0.00402575	Matrix NM Holding LLC			
				Noelle M. Anderson, James R. Anderson, Joseph J. Anderson and C. Robert Anderson, as joint tenants					
				Philip Henry Ingber	0.01773850	Steven W. Horn			
				Peter Sexton Ingber	0.00377425	Concho Oil & Gas LP			
				Nancy Ingber Brown	0.00377425	Concho Oil & Gas LP			
				Helen Steckmest Finne	0.01509700	Concho Oil & Gas LP			
				Capt. Jhens Feragen, whose wife is Sigrid Feragen	0.00283069	Concho Oil & Gas LP			
				Ragnhilde Marie Pousson Levine	0.01509700				
				Harald Muller, whose wife is Helen K. Muller	0.00754800				
				Erik Krag, whose wife is Dagny Krag	0.00754800				
				Lyman W. Bruce	0.01132250	Steven W. Horn			
					0.01132200				

TRACT DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	JOINT OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
		Myrtle Bruce	0.01132200					
		The heirs or devisees of Mr. and Mrs. Peter J. Gundlach	0.02264500					
		Einar Petersen	0.04529000					
		Gudmund Olsen, whose wife is Caren Olsen	0.02264500					
		Ann Dennard Allison	0.01562500	Steven W. Horn				
		Michael Herd Moore	0.01250000	Steven W. Horn				
		David H. Arrington	0.03125000					
		Davis A. Coppedge	0.00292969	Steven W. Horn				
		James T. Coppedge	0.00292969	Steven W. Horn				
		Brent W. McWhorter	0.00781250	Concho Oil & Gas LP				
		Mary J. McWhorter	0.00781250	Matrix NM Holding LLC				
22		07 Ranch Mineral Ltd Partnership	0.06328130	Continental Land Resources LLC	Robert C. Callan, Jr.	0.00093750	Claude Arnold WI O&G Prop LLC	0.08400000
		Anita Field Irrevocable Trust FNB	0.02500000	Continental Land Resources LLC	Leo Boyd Elliott, Jr.	0.00093750	Blake Arnold Working Interest Oil & Gas Properties LLC	0.06600000
		Brownfield Successor Trustee		Enerstar Res O&G LLC & Ricks Explor.	William C. Dean	0.00093750	H. J. Freede, Inc.	0.08000000
		Dan Field	0.02565100	Continental Land Resources LLC	Environmental Risk Reduction	0.00093750	Joe H. Pate TR, Joe H. Trust	0.01000000
		Field Irwin	0.00147570	Continental Land Resources LLC	Don Kent Johnson	0.00093750	James D. Pate Jr TR DTD 8/8/86	0.01000000
		Geraldine Hisel	0.00442710	Continental Land Resources LLC	Gregory A. Wilson	0.00093750	James D. Pate Jr Trst	0.01000000
		Janet Leigh Montoya	0.00147570	Continental Land Resources LLC	Claudia J. Roebuck	0.00075000	Tropical Minerals, Inc.	0.01000000
		Jo Nell Ingram	0.00147570	Continental Land Resources LLC	Diana Wickham	0.00075000	J. Durwood Pate TR DTD 4/16/89	0.01000000
		Mabel Nancy Field Irr Trust	0.02500000	Continental Land Resources LLC	Fred C. Bryla	0.00075000	Cardinal River Energy Company	0.02500000
		Megan Smith Field	0.00250000	Continental Land Resources LLC	Karen S. Linck	0.00378720	Larry Fenify	0.01000000
		Mike Field	0.02096350	Continental Land Resources LLC	Larry W. Lathrop	0.00325700	Monarch Resources LLC	0.01000000
		Sarah K. Burrus	0.01084000	Continental Land Resources LLC	Patricia S. Thompson	0.00030650	Chesapeake	0.65000000
		Sarah K. Burrus Trustee	0.00750000	Continental Land Resources LLC	Victor T. Linck	0.00462730	Rehoboth Inc.	0.03000000
		Sarah K. Burrus Trustee U/W/O Mabel Field Decd F/B/O Clint Field Burrus	0.00833000	Continental Land Resources LLC			David C. Story	0.00500000

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
					Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00833000	Continental Land Resources LLC				
23	SE NE of Section 27, T12S-R38E	40			07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee	0.06328130	Continental Land Resources LLC	Robert C. Callan, Jr.	0.00093750	Claude Arnold W/O&G Prop LLC	0.07350000
					Dan Field	0.025665100	Enerstar Res O&G LLC & Ricks Explor.	William C. Dean	0.00093750	H. J. Freede, Inc.	0.07000000
					Field Irwin	0.00147570	Continental Land Resources LLC	Environmental Risk Reduction	0.00093750	Joe H. Pate TR, Joe H. Trust	0.00875000
					Geraldine Hise	0.00442710	Continental Land Resources LLC	Don Kent Johnson	0.00093750	James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst	0.00875000
					Janet Leigh Montoya	0.00147570	Continental Land Resources LLC	Gregory A. Wilson	0.00093750	Tropical Minerals, Inc.	0.00875000
					Jo Nell Ingram	0.00147570	Continental Land Resources LLC	Claudia J. Roebuck	0.00065620	J. Durwood Pate TR DTD 4/16/89 J Durwood Pate TRST	0.00875000
					Mabel Nancy Field Irr Trust	0.02500000	Continental Land Resources LLC	Diana Wickham	0.00065630	Cardinal River Energy Company	0.02187500
					Megan Smith Field	0.00250000	Continental Land Resources LLC	Dick Jackson	0.00125000	Larry Fenity	0.00875000
					Mike Field	0.02096350	Continental Land Resources LLC	Fred C. Bryla	0.00331380	Monarch Resources LLC	0.00875000
					Sarah K. Burrus	0.01084000	Continental Land Resources LLC	Karen S. Linck	0.00274270	Chesapeake	0.69375000
					Sarah K. Burrus Trustee	0.00750000	Continental Land Resources LLC	Larry W. Lathrop	0.00284980	Rehoboth Inc.	0.02625000
					Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Burrus	0.00833000	Continental Land Resources LLC	Patricia S. Thompson	0.00026820	David C. Story	0.00437500
					Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00833000	Continental Land Resources LLC	Victor T. Linck	0.00422390		
24	SW NE of Section 27, T12S-R38E	40			07 Ranch Mineral Ltd Partnership Anita Field Irrevocable Trust FNB Brownfield Successor Trustee	0.06328130	Continental Resources LLC	Robert C. Callan, Jr.	0.00087500	Claude Arnold W/O&G Prop LLC	0.10500000
					Dan Field	0.025665100	Enerstar Res O&G LLC & Ricks Explor Inc.	William C. Dean	0.00087500	Blake Arnold Working Interest Oil & Gas Properties LLC	0.02625000
										H. J. Freede, Inc.	0.07000000

TRACT DESCRIPTION OF LANDS	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENTAGE	WORKING INTEREST OWNER	WI PERCENTAGE INTEREST
		Field Irwin	0.00147570	Continental Resources LLC	Environmental Risk Reduction	0.00087500	Joe H. Pate TR, Joe H. Trust	0.00875000
		Geraldine Hisel	0.00442710	Continental Resources LLC	Don Kent Johnson	0.00087500	James D. Pate Jr TR DTD 8/8/86	0.00875000
		Janet Leigh Montoya	0.00147570	Continental Resources LLC	Gregory A. Wilson	0.00087500	Tropical Minerals, Inc.	0.00875000
		Jo Nell Ingram	0.00147570	Continental Resources LLC	Claudia J. Roebuck	0.00087500	J. Durwood Pate TR DTD 4/16/89	0.00875000
		Mabel Nancy Field Irr Trust	0.02500000	Continental Resources LLC	Diana Wickham	0.00087500	Cardinal River Energy Company	0.02187500
		Megan Smith Field	0.00250000	Continental Resources LLC	Fred C. Bryla	0.00331380	Larry Fenly	0.00875000
		Mike Field	0.02096350	Continental Resources LLC	Karen S. Linck	0.00274270	Monarch Resources LLC	0.00875000
		Sarah K. Burrus	0.01084000	Continental Resources LLC	Larry W. Lathrop	0.00284980	Chesapeake	0.69375000
		Sarah K. Burrus Trustee	0.00750000	Continental Resources LLC	Patricia S. Thompson	0.00026820	Rehoboth Inc.	0.02625000
		Sarah K. Burrus Trustee U/W/O Mabel Field Decd F/B/O Clint Field Burrus	0.00833000	Continental Resources LLC	Victor T. Linck	0.00422390	David C. Story	0.00437500
		Sarah K. Burrus Trustee U/W/O Mabel Nancy Field Decd F/B/O Sally Ann Burrus	0.00833000	Continental Resources LLC	Dick Jackson	0.00125000		
25	40	07 Ranch Mineral Ltd Partnership	0.06328130	Continental Land Resources LLC	Robert C. Callan, Jr.	0.00093750	Before Payout	
		Anita Field Irrevocable Trust FNB Brownfield Successor Trustee	0.02461236	Continental Land Resources LLC	Leo Boyd Elliott, Jr.	0.00093750	TLW Investments Inc	0.02500000
		Dan Field	0.02565102	Enerstar Res. O&G LLC & Ricks Explor.	William C. Dean	0.00093750	Claude Arnold W/O&G Prop LLC	0.10500000
		Field Irwin	0.00147570	Continental Land Resources LLC	Environmental Risk Reduction	0.00093750	Blake Arnold Working Interest Oil & Gas Properties LLC	0.02625000
		Geraldine Hisel	0.00442710	Continental Land Resources LLC	Don Kent Johnson	0.00093750	H. J. Freede, Inc.	0.07000000
		Janet Leigh Montoya	0.00147570	Continental Land Resources LLC	Gregory A. Wilson	0.00093750	Joe H. Pate TR, Joe H. Trust	0.00875000
		Jo Nell Ingram	0.00147570	Continental Land Resources LLC	Claudia J. Roebuck	0.00075000	James D. Pate Jr TR DTD 8/8/86	0.00875000
		Mabel Nancy Field Irr Trust	0.02500000	Continental Land Resources LLC	Diana Wickham	0.00075000	Tropical Minerals, Inc.	0.00875000
		Megan Smith Field	0.00250000	Continental Land Resources LLC	Fred C. Bryla	0.00378720	J. Durwood Pate TR DTD 4/16/89	0.00875000
		Mike Field	0.02067283	Continental Land Resources LLC	Karen S. Linck	0.00313450	Cardinal River Energy Company	0.02187500

TRACT DESCRIPTION OF LANDS	ACRES	SERIAL NO. & EFFECTIVE DATE	BASIC ROYALTY OWNER	ROYALTY OWNER PERCENT-AGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER	ORRI OWNER PERCENT-AGE	WORKING INTEREST OWNER	WI PERCENT-AGE INTEREST
			Gene Hodge	0.00488280	Ricks	Environmental Risk Reduction	0.00033750	J. Durwood Pate TR DTD 4/16/89 J Durwood Pate TRST	0.00900000
			Glen Hodge	0.00488280	Ricks	Don Kent Johnson Gregory A. Wilson	0.00033750	Cardinal River Energy Company Larry Fenly	0.02250000
						Allante Joint Venture Dick Jackson	0.01350000	Monarch Resources LLC	0.00900000
						Fred C. Blyla Karen S. Linck	0.00087647	Chesapeake Rehoboth Inc.	0.68500000
						Larry W. Lathrop Patricia S. Thompson	0.00075375	David C. Story	0.02700000
						Stephen R. Howard Victor T. Linck	0.00070995 0.00450000 0.00111717		0.00450000
27	S/2 SE of Section 27,	80	Joyce Sellers Jimmy P. Hodge	0.00565938 0.00625000	Ricks Steven W. Horn	Discovery Exploration, a partnership Bob Blundell	0.00336797 0.00134719	Before Payout TLW Investments, Inc.	0.02500000
	T12S-R38E		Constance J. Brainerd Bonnie Brainerd, Successor Trustee of the Brainerd Children's Trust	0.02937500	Ricks Exploration II LP	Enerstar Resources O&G, LLC	0.00202078	Claude Arnold WI O&G Prop LLC	0.10800000
	Burrus #27-12 well		William G. Liakos and Kay Hendricks Liakos, Trustees of the William G. Liakos and Kay Hendricks Liakos Rev. Trust Gregory Minge Duggar	0.02570313	Steven W. Horn	Allante Joint Venture	0.00914063	Blake Arnold Working Interest Oil & Gas Properties LLC	0.02700000
			Waverly Duggar Charles R. Wiggins	0.02437500 0.01265625	Steven W. Horn Steve Horn	Stephen R. Howard	0.00269498	H. J. Freede, Inc. Joe H. Pate TR, Joe H. Trust James D. Pate Jr TR DTD 8/8/86 James D. Pate Jr Trst Tropical Minerals, Inc.	0.07200000 0.00900000 0.01548000 0.01548000
			Walter R. Farrington III	0.05126953	Steven W. Horn			J. Durwood Pate TR DTD 4/16/89 Cardinal River Energy Company Larry Fenly	0.01548000 0.02250000 0.00900000
								Monarch Resources LLC Chesapeake Investments Chesapeake Rehoboth Inc. David C. Story	0.01548000 0.02500000 0.58640000 0.04644000 0.00774000
								After Payout of 400% TLW Investments, Inc. Claude Arnold WI O&G Prop LLC Blake Arnold Working Interest Oil & Gas Properties LLC H. J. Freede, Inc.	0.01453488 0.10800000 0.02700000 0.02700000

EXHIBIT "C"

SCHEDULE OF TRACT PARTICIPATION

Tract No	Tract Participation %
1a,b,c	1.158221170326
2	0.016338706495
3	0.965487940950
4	4.676262850692
5	2.299570822702
6	4.411289642784
7	0.204389615961
8	9.804890688662
9	0.053184919885
10	6.101053971091
11	8.826466852012
12	2.605165350916
13	3.574481200013
14	1.994327833458
15	4.454748162260
16	6.139747170319
17	12.069694758085
18	2.284428454011
19	1.126766991185
20	0.169493827870
21	0.178093147078
22	10.361432584640
23	1.825441362138
24	0.005857507287
25	2.792226964954
26	4.514860615228
27	3.236196962659
28	4.149879926339
	100.000000000000

UNIT OPERATING AGREEMENT

TRINITY BURRUS ABO UNIT

LEA COUNTY, NEW MEXICO

EXHIBIT C

Table of Contents

<u>Section</u>		<u>Page</u>
	Preliminary Recitals	7
ARTICLE 1 <u>CONFIRMATION OF UNIT AGREEMENT</u>		
1.1	Confirmation of Unit Agreement	7
ARTICLE 2 <u>EXHIBITS</u>		
2.1	Exhibits	7
2.1.1	Exhibits A,B & C	7
2.1.2	Exhibit D	7
2.1.3	Exhibit E	7
2.1.4	Exhibit F	7
2.1.5	Exhibit G	7
2.1.6	Exhibit H	7
2.2	Correcting Errors	7
2.3	Reference to Exhibits	8
ARTICLE 3 <u>CREATION OF OPERATING COMMITTEE</u>		
3.1	Creation of Operating Committee	8
3.2	Officers	8
3.3	Overall Supervision	8
3.4	Specific Authorities and Duties	8
3.4.1	Method of Operation	8
3.4.2	Drilling of Wells	8
3.4.3	Well Recompletions and Change of Status	8
3.4.4	Expenditures	8
3.4.5	Disposition of Unit Equipment	9
3.4.6	Appearance Before a Court or Regulatory Agency	9
3.4.7	Audits	9
3.4.8	Inventories	9
3.4.9	Technical Services	9
3.4.10	Assignment to Committees	9
3.4.11	Replacement of Operator	9
3.4.12	Investment Adjustment	9
3.4.13	Termination of Operations	9
3.4.14	Release of Information	9

ARTICLE 4
SUPERVISION OF UNIT OPERATIONS

4.1	Meeting of Operating Committee	10
4.2	Voting Procedure	10
4.2.1	Voting Interest	10
4.2.2	Vote Required	10
4.2.3	Vote at Meeting by Non-Attending Working Interest Owner	10

ARTICLE 5
INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1	Reservation of Rights	10
5.2	Specific Rights	10
5.2.1	Access to Unit Area	10
5.2.2	Reports	10

ARTICLE 6
UNIT OPERATOR

6.1	Initial Unit Operator	11
6.2	Resignation or Removal	11
6.3	Selection of Successor	11

ARTICLE 7
AUTHORITIES AND DUTIES OF UNIT OPERATOR

7.1	Exclusive Right to Operate Unit	11
7.2	Workmanlike Conduct	11
7.3	Liens and Encumbrances	11
7.4	Employees	11
7.5	Records	11
7.6	Reports to Working Interest Owners	11
7.7	Reports to Governmental Authorities	11
7.8	Engineering and Geological Information	11
7.9	Expenditures	12
7.10	Wells Drilled by Unit Operator	12
7.11	Restoration of Surface Conditions Existing Prior to Unit	12
7.12	Mathematical Errors	12
7.13	Border Agreements	12
7.14	Indemnities	12

ARTICLE 8
TAXES

8.1	Ad Valorem Taxes	12
8.2	Other Taxes	12

ARTICLE 9
INSURANCE

9.1	Insurance	13
9.1.1	Workman's Compensation Law	13
9.1.2	Employer's Liability Insurance	13
9.1.3	Other Insurance	13

ARTICLE 10
ADJUSTMENT OF INVESTMENTS

10.1	Personal Property Taken Over	13
10.1.1	Wells	13
10.1.2	Well and Lease Equipment	13
10.1.3	Records	13
10.2	Inventory and Evaluation of Personal Property	13
10.3	Inventory Adjustment	13
10.4	General Facilities	13
10.5	Ownership of Personal Property and Facilities	14
10.6	Adjustment for Non-Usable Wells	14

ARTICLE 11
UNIT EXPENSE

11.1	Basis of Charge to Working Interest Owners	14
11.2	Budgets	14
11.3	Advance Billings	14
11.4	Commingling of Funds	14
11.5	Unpaid Unit Expense	14
11.6	Lien, Security Interest and Right of Foreclosures	15
11.7	Carved-Out Interest	15
11.7.1	Other Remedies	16
11.8	Credits	16

ARTICLE 12
NON-CONSENT PROVISION

12.1	Election	16
12.2	Non-Consent Penalty	16
12.3	Handling of Inventory Adjustment for Non-Consent Parties	17
12.4	Payoff of Non-Consent Party's Unpaid Balance	17

ARTICLE 13
NON-UNITIZED FORMATIONS

13.1	Right to Operate	17
13.2	Multiple Completions	18

ARTICLE 14
TITLES

14.1	Title Information	18
14.2	Warranty and Indemnity	18
14.3	Failure Because of Unit Operations	18

ARTICLE 15
LIABILITIES, CLAIMS, AND SUITS

15.1	Individual Liability	18
15.2	Settlements	18
15.3	Indemnification of Unit Operator	19
15.4	Governmental Rulings	19

ARTICLE 16
INTERNAL REVENUE PROVISION

16.1	Internal Revenue Provision	19
16.2	Governmental Fines, Penalties	19

ARTICLE 17
NOTICES

17.1	Notices	19
17.2	Notice of Transfer of Title	20

ARTICLE 18
WITHDRAWAL OF WORKING INTEREST OWNER

18.1	Withdrawal	20
18.2	Restriction of Disposition and Withdrawal	20

ARTICLE 19
ABANDONMENT OF WELLS

19.1	Rights of Former Owners	20
19.2	Plugging	21

ARTICLE 20
MAINTENANCE OF UNIFORM INTEREST

20.1	Maintenance of Uniform Interest	21
------	---------------------------------	----

ARTICLE 21
EFFECTIVE DATE AND TERM

21.1	Effective Date	21
21.2	Term	21

ARTICLE 22
ABANDONMENT OF OPERATIONS

22.1	Termination	21
22.1.1	Oil and Gas Rights	22
22.1.2	Right to Operate	22
22.1.3	Salvaging Wells	22
22.1.4	Plugging and Abandoning Wells	22
22.1.5	Distribution of Assets	22
22.1.6	Obligations Payable After Termination	22

ARTICLE 23
RIGHTS OF WAY AND EASEMENTS

23.1	Assignment to Unit Operator	22
23.2	Rental Payments	22
23.3	Rights of Unit Operator	22

ARTICLE 24
EXECUTION

24.1	Original, Counterpart, or Other Instrument	22
------	--	----

ARTICLE 25
SIGNING, RATIFICATION OR APPROVAL

25.1	Original, Counterparts or Ratification	23
25.2	Joinder in Dual Capacity	23
25.3	Heirs, Successors and Assigns	23

UNIT OPERATING AGREEMENT
TRINITY BURRUS ABO UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of September, 2005, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an agreement entitled "UNIT AGREEMENT, TRINITY BURRUS ABO UNIT, LEA COUNTY, NEW MEXICO", herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for Unit Operations as therein defined.

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

ARTICLE 1
CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement: The Unit Agreement is hereby confirmed and by reference made a part of this agreement. The definitions in the Unit Agreement are adopted for all purposes of this agreement. If there is any conflict between the Unit Agreement and this agreement, the Unit Agreement shall govern.

ARTICLE 2
EXHIBITS

2.1 Exhibits: The following exhibits are incorporated herein by reference:

2.1.1 Exhibit "A", "B" and "C" of the Unit Agreement.

2.1.2 Exhibit "D," attached hereto, is a schedule showing the Working Interest of each Working Interest Owner in each Tract, each Working Interest Owner's Unit Participation attributable to each such interest, and the total Unit Participation of each Working Interest Owner. Exhibit "D", or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of Working Interest Owners for purposes of this agreement until shown to be in error or revised as herein authorized.

2.1.3 Exhibit "E," attached hereto is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this agreement and Exhibit "E", this agreement shall govern.

2.1.4 Exhibit "F," attached hereto, contains insurance provisions applicable to Unit Operations.

2.1.5 Exhibit "G," attached hereto, contains Pre-Existing Non-Consent provisions.

2.1.6 Exhibit "H," attached hereto, is an outline of categories of Pre-Unitization Expenses for the formation of the subject Unit.

2.2 Correcting Errors: The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of

diverse royalty or working interest ownership on the Effective Date hereof, should be divided into more than one Tract, or that any mechanical or clerical error has been made in the preparation of Exhibits or information shown thereon, the Unit Operator, with the approval of the Operating Committee, may correct the mistake by revising the Exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an Exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision of an Exhibit thereafter made shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised Exhibit, or such date as may be determined by the Operating Committee and set forth in the revised Exhibit.

2.3 Reference to Exhibits: When reference is made herein to an exhibit, it is to the exhibit as originally attached, or, if revised, to the last revision.

ARTICLE 3 CREATION OF OPERATING COMMITTEE

3.1 Creation of Operating Committee: An Operating Committee is hereby established to consist of one (1) representative to be designated by each Working Interest Owner that owns a minimum of at least two percent (2%) interest in the Unitized Area, provided that an individual Working Interest Owner may be a member of the Committee. Each Working Interest Owner shall, in writing, inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed, from time to time, by written notice to Unit Operator.

3.2 Officers: The representative of the Unit Operator shall be Chairman of the Operating Committee. The Committee shall select a Secretary and other officers as the Committee deems proper. The Secretary and other officers may or may not be members of the Committee. The Secretary shall keep and maintain the records of the actions of the Committee. The officers shall serve at the will of the Operating Committee and perform the other duties that are delegated to them by the Operating Committee.

3.3 Overall Supervision: The Operating Committee shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Plan of Unitization.

3.4 Specific Authorities and Duties: The matters with respect to which the Operating Committee shall decide and take action shall include, but not be limited to, the following:

3.4.1 Method of Operation: The method of operation, including any type of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.4.2 Drilling of Wells: The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.4.3 Well Recompletions and Change of Status: The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

3.4.4 Expenditures: Authorization of any single expenditure, in excess of One Hundred Thousand Dollars (\$100,000.00); provided that, approval by the Operating Committee of the drilling, workover, drilling deeper, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the well, including necessary flow lines, separators, and lease tankage.

3.4.5 Disposition of Unit Equipment: The selling or otherwise disposing of any surplus Unit Equipment, if the current list price of new equipment similar thereto is Fifty Thousand Dollars (\$50,000.00) or more.

3.4.6 Appearance Before a Court or Regulatory Agency: The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided that, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf at such Working Interest Owner's own expense.

3.4.7 Audits: The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; provided that the audits shall:

a) Not be conducted more than once each year except upon resignation or removal of Unit Operator;

b) Be made upon the affirmative vote of at least fifty-one percent (51%) of the voting interest remaining after excluding the voting interest of Unit Operator; such costs incurred shall be at the expense of all Working Interest Owners other than Unit Operator;

c) Be made at the expense of all Working Interest Owners other than the Working Interest Owner designated as Unit Operator except that if the affirmative vote is less than the fifty-one percent (51%) required in subparagraph (b) of this section, then the audit shall be made at the expense of those Working Interest Owners requesting such audit; and,

d) Be made upon not less than thirty (30) days' written notice to Unit Operator.

3.4.8 Inventories: The taking of periodic inventories under the terms of Exhibit "E".

3.4.9 Technical Services: The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit "E".

3.4.10 Assignment to Committees: The appointment of committees to study any problems in connection with Unit Operations.

3.4.11 Replacement of Operator: The removal of Unit Operator and the selection of a successor.

3.4.12 Investment Adjustment: The adjustment and readjustment of investments.

3.4.13 Termination of Operations: The termination of Unit Operations and the Plan of Unitization.

3.4.14 Release of Information: The release of information, photographs, or television pictures concerning operations conducted hereunder and incidents occurring in connection with operations conducted hereunder; provided, however, that drilling depths, names of formations encountered, and other information normally furnished to industry scouting or news services may be released by the Unit Operator without approval of the Operating Committee.

ARTICLE 4
Supervision of Unit Operations

4.1 Meeting of Operating Committee: All meetings of the Operating Committee shall be called by the Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total Unit Participation of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days' advance written notice, with an agenda for the meeting attached. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting, provided any such non-agenda item(s) does not exceed One Hundred Thousand Dollars (\$100,000.00) total cost. The representative of the Unit Operator shall be Chairman of each meeting. A copy of the minutes of each meeting shall be mailed to each member of the Operating Committee within a reasonable time after the meeting.

4.2 Voting Procedure: The Operating Committee shall decide all matters coming before it as follows:

4.2.1 Voting Interest: Each Working Interest Owner shall have a voting interest equal to its Unit Participation.

4.2.2 Vote Required - Generally: Unless otherwise provided herein, all matters shall be decided by an affirmative vote of seventy percent (70%) or more voting interest; provided that, should any one Working Interest Owner have more than forty percent (40%) voting interest, its vote must be supported by the vote of at least one remaining Working Interest Owner.

4.2.3 Vote at Meeting by Non-Attending Working Interest Owner (Proxy): Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter or telegram, on any matter submitted in writing to the members of the Committee. If a meeting is not requested, as provided in paragraph 4.1, within seven (7) days after a written proposal is sent to Working Interest Owners, the vote taken by letter or telegram shall become final. Failure to vote, shall be deemed a vote of "in favor" of the proposal as set forth by the Committee. Unit Operator will give prompt notice of the results of such voting to all members of the Operating Committee.

ARTICLE 5
INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights: Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this agreement and the Unit Agreement.

5.2 Specific Rights: Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area: Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports: The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

ARTICLE 6
UNIT OPERATOR

6.1 Initial Unit Operator: Chesapeake Operating Inc., under contract to Chesapeake Exploration Limited Partnership and Chesapeake Permian Limited Partnership, is hereby designated as Unit Operator.

6.2 Resignation or Removal: Unit Operator has the right to resign at any time. The Unit Operator shall, upon default or gross negligence in the performance of its duties hereunder, be subject to removal by the Operating Committee by the affirmative vote of at least eighty percent (80%) of all remaining Working Interest Owners. A Unit Operator that resigns or is removed shall not be released from its obligations hereunder for a period of six (6) months after the resignation or discharge unless a successor Unit Operator has taken over the Unit Operations prior to the expiration of such period (as provided in the Unit Agreement).

6.3 Selection of Successor: Upon the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by the Operating Committee. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of two (2) or more Working Interest Owners having at least ninety percent (90%) of the voting interest remaining, after excluding the voting interest of the Unit Operator that was removed.

ARTICLE 7
AUTHORITIES AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit: Subject to the provisions of this Agreement and to instructions from the Operating Committee, the Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct: The Unit Operator shall conduct Unit Operations in a good and workmanlike manner and in accordance with accepted industry standards as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with the Operating Committee and keep it informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages not resulting from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances: The Unit Operator shall endeavor to keep the lands and leases in the Unit Area and the Unit Equipment free from all liens, and encumbrances occasioned by Unit Operations except the lien and security interest of Unit Operator granted hereunder.

7.4 Employees: The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by the Unit Operator. Such employees shall be the employees of the Unit Operator.

7.5 Records: The Unit Operator shall keep correct books, accounts and records of Unit Operations.

7.6 Reports to Working Interest Owners: The Unit Operator shall furnish to Working Interest Owners reports of Unit Operations as agreed to by the Operating Committee.

7.7 Reports to Governmental Authorities: The Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information: The Unit Operator shall furnish to Working Interest Owner, upon written request, any engineering and geological data pertaining to Unit Operations.

7.9 Expenditures: Unit Operator is authorized to make all expenditures for normal or recurring operating expenses and other single expenditures not in excess of One Hundred Thousand Dollars (\$100,000.00) without prior approval of the Operating Committee. If an emergency occurs, the Unit Operator may immediately make or incur expenditures that, in its opinion, are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator: All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the prevailing rate in the area and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

7.11 Restoration of Surface Conditions Existing Prior to Unitization: Working Interest Owner, upon request of Unit Operator, shall fill all pits, remove concrete foundations, or perform any other restorative work necessary to restore surface damage which existed prior to the Effective Date. If Working Interest Owner has not completed said work within ninety (90) days after notification by the Unit Operator, then the Unit Operator shall be authorized to perform the necessary restoration. The cost of any such work to restore surface to a condition that is acceptable to the proper regulatory body shall be borne entirely by the Working Interest Owner or Working Interest Owners who contributed such lands to the Unit.

7.12 Mathematical Errors: It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the exhibits to this agreement.

7.13 Border Agreements: Unit Operator may, after approval by Working Interest Owners, enter into border agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

7.14 Indemnities: As to all contracts executed by the Unit Operator with an independent contractor governing operation or services to be performed in connection with unit operations, Unit Operator shall require that any indemnification provision in favor of Unit Operator contained therein shall extend to and inure to the benefit of Working Interest Owners in the same manner as Unit Operator.

ARTICLE 8 TAXES

8.1 Ad Valorem Taxes: Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem shall be paid by Unit Operator and charged to the joint account of all Working Interest Owners; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of a one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes paid resulting therefrom.

8.2 Other Taxes: Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

ARTICLE 9
INSURANCE

9.1 Insurance: Unit Operator, with respect to Unit Operations, shall do the following:

9.1.1 Workmen's Compensation Law: Comply with the Workmen's Compensation Law of the State of New Mexico.

9.1.2 Employer's Liability Insurance: Carry Employer's Liability and other insurance required by the laws of the State of New Mexico.

9.1.3 Other Insurance: Provide other insurance as set forth in Exhibit "F".

ARTICLE 10
ADJUSTMENT OF INVESTMENTS

10.1 Personal Property Taken Over: Upon the Effective Date hereof, Working Interest Owners shall deliver to the Unit Operator the following:

10.1.1 Wells: All wells completed in the Unitized Formation together with the casing therein.

10.1.2 Well and Lease Equipment: The tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which the Operating Committee determines is necessary or desirable for conducting Unit Operations. (If any such wells are multiple-completed wells, the provisions of the subsection shall apply only to that equipment used in connection with the Unitized Formation.)

10.1.3 Records: A copy of all production and well records that pertain to such wells.

10.2 Inventory and Evaluation of Personal Property: The Operating Committee shall, at Unit Expense, inventory and evaluate, as determined by the Operating Committee, the personal property taken over. Such inventory shall include, and be limited to, those items of equipment considered controllable under Exhibit "E" unless determined otherwise by the Operating Committee in order to insure a more equitable adjustment of investment. Casing shall be included in the inventory for record purposes, but shall be excluded from evaluation and investment adjustment.

10.3 Inventory Adjustment: Upon approval by the Operating Committee of the inventory and evaluation, each Working Interest Owner shall be credited with the value of its interest in all personal property taken over under paragraphs 10.1.1 and 10.1.2 and shall be charged with an amount equal to that obtained by multiplying the total value of all personal property taken over under paragraph 10.1.2 by such Working Interest Owner's Unit Participation. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above. Each Working Interest Owner, instead of owning an interest in all its personal property delivered to the Unit Operator under paragraph 10.1, will be considered as having exchanged such interest for an undivided interest in all personal property so delivered to the Unit Operator, subject to the investment adjustment herein provided.

10.4 General Facilities: The acquisition of warehouses, warehouse stocks, lease houses,

camps, facility systems, and office buildings necessary for Unit Operations shall be, by negotiations by the owners thereof and Unit Operator, subject to the approval of the Operating Committee. There shall be no adjustment for lease roads or appurtenances thereto.

10.5 Ownership of Personal Property and Facilities: Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, equal to its Unit Participation in all personal property and facilities taken over by the Unit Operator pursuant to this Plan of Unitization.

10.6 Adjustment for Non-Usable Wells: All wells delivered to the Unit Operator as usable wells shall be (a) in usable physical condition, (b) completed in some portion of the Unitized Formation, and (c) physically separated from formations not a part of the Unitized Formation as of the Effective Date. The Operating Committee will within six (6) months after the Effective Date, determine which wells are in non-usable physical condition. The cost of placing any such well in usable physical condition, or physically separating non-Unitized Formations, shall be charged to the Lessee or Lessees owning the well immediately prior to the Effective Date, such work is to be performed by the Unit Operator.

ARTICLE 11 UNIT EXPENSE

11.1 Basis of Charge to Working Interest Owner: The Unit Operator initially shall pay all pre-Unitization Expenses and such expenses shall be considered Unit Expense. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibits "E" and "H". Each Working Interest Owner shall reimburse the Unit Operator for its share of Unit Expense. Each Working Interest Owner's share of all operating expenses shall be the same as its Unit Participation in effect at the time the expense was incurred.

11.2 Budgets: Before or as soon as practical after the Effective Date hereof, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year, and, on or before the first day of each December thereafter, shall prepare such a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall promptly be furnished to each Working Interest Owner if requested.

11.3 Advance Billings: The Unit Operator shall have the right, without prejudice to other rights or remedies to require Working Interest Owners to advance their respective share of Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days after the receipt thereof, each Working Interest Owner shall pay to the Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by the Unit Operator at the close of each calendar month, and the accounts of the Lessees shall be adjusted accordingly.

11.4 Commingling of Funds: Funds received by the Unit Operator under this Plan of Unitization need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.5 Unpaid Unit Expense: If any Working Interest Owner fails or is unable to meet promptly its financial obligation in connection with the Unit, the unpaid balance of its share of Unit Expense shall be carried and paid by all non-defaulting working Interest Owners subject to the provisions of paragraph 11.8 herein who are signatory of this Plan of Unitization in the proportion that the Unit Participation of each bears to the total such Unit Participation of all such Working Interest Owners. Such amount shall bear interest at the rate of prime plus two percent (2%) per annum (as determined by current prime interest rate charged by Bank One Oklahoma, NA, Oklahoma City, Oklahoma), or such maximum rate as permitted by law, whichever is lesser, until paid. Working Interest Owners so paying shall be reimbursed therefor, together

with interest thereon, when the amount so carried and the interest thereon are collected from the Working Interest Owners primarily chargeable therewith. The amount carried shall be due and payable out of the proceeds from the defaulting Working Interest Owner's share of Unitized Substances, including, to the extent provided for in the State of New Mexico Statutory Unitization Statutes, overriding royalty interests, oil and gas payments, or other interests in excess of one eighth (1/8) royalty interest to which such Working Interest Owner's interest is subject. During the time that any Working Interest Owner fails to pay its share of the Unit Expense, the Unit Operator without prejudice to other existing remedies shall be entitled to collect and receive from the purchaser the proceeds from such Working Interest Owner's share of the Unitized Substances. All credits to any such defaulting Working Interest Owner on account of the sale or other disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit Expense charged against such Lessee.

11.6 Lien, Security Interest and Right of Foreclosures: The Unit and the Working Interest Owner's who pay a portion of Unit Expense on behalf of a carried Working Interest Owner shall have a first and prior lien and security interest upon the carried Working Interest Owner's leasehold interest and the other Oil and Gas Rights (exclusive of a 1/8 royalty interest) within the Unit Area, as well as the carried Working Interest Owner's share of the Unit Production, and all Unit Equipment in possession of the Unit, to secure payment of all Unit Expense properly charged to the carried Working Interest Owner. If the owner of any excess royalty interest, overriding royalty, oil and gas payment, or other interest, which under this Plan of Unitization is not primarily responsible for costs and expenses, pays any part of Unit Expense for the purpose of protecting such interest, or if the amount of such Unit Expense in whole or in part is deducted from the Unitized Substances credited to such interest, the owner shall, to the extent of such payment or deduction, be subrogated to all the rights of the Unit, the Unit Operator and other Working Interest Owners with respect to the interest primarily chargeable with such expense. The lien and security interest herein provided shall be for the use, benefit, and protection of the Unit, Unit Operator, and other Working Interest Owners or Persons entitled to receive or share in the monies, the payment of which is secured thereby; and the Unit, the Unit Operator, or any of the Working Interest Owners who have made payment of the Unit Expense, or part thereof for the carried Working Interest Owner, shall be entitled to exercise all lien rights, including the right of foreclosure. The lien may be foreclosed at any time after a Working Interest Owner has been carried for a maximum period of sixty (60) days from the date of billing and all or a portion of the account remains unpaid by the carried Lessee.

11.7 Carved-Out Interest: In the event any Working Interest Owner shall, after executing this Plan, create an overriding royalty, production payment, net profits, or carved-out interest, or any other interest out of its interest then subject to this Plan, such carved-out interest shall be subject to the terms and provisions of this Plan. In the event the Working Interest Owner owning the interest out of which the carved-out interest was created fails to pay any costs or expense chargeable to such Working Interest Owner under this Plan and the production to the credit of such Working Interest Owner is insufficient for that purpose, the owner of the carved-out interest will be liable for its pro rata portion of all costs and expenses for which the working Interest Owner that created such carved-out interest would have been liable hereunder by virtue of such Working Interest Owner's entire original interest, just as though such carved-out interest had not been created. In this event, the lien provided in paragraph 11.6 hereof may be enforced against such carved-out interest in the same manner as if the lien was enforceable against the original interest out of which the carved-out interest was created. If, at any time, the interest of any party is divided among and owned by four(4) or more co-owners, the Unit Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this Plan; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof. If such co-owners fail to appoint said trustee or agent upon request of the Unit Operator, then the Unit Operator, at its discretion, may designate one of said

co-owners as said trustee or agent.

11.7.1 Other Remedies: In addition to the foregoing remedies, with respect to any Working Interest Owner carried in the payment of its share of the Unit Expense when due, the Unit Operator shall, for itself, the paying Working Interest Owners and the Unit, during the period of such carry, be entitled to the following rights:

a) To itself purchase the share of Unit Production of any such carried Working Interest Owner, including all overriding royalties, oil and gas payments and other interests in excess of the normal one eighth (1/8) royalty interest to which such carried Working Interest Owner's share of Unit Production is subject, at the prevailing market price in the field which shall, in no event, be less than the price received by the Unit Operator for its portion of the Unit Production; and,

b) To collect and receive from the purchaser thereof, the proceeds from the sale of such carried Working Interest Owner's share of Unit Production, including all overriding royalties, oil and gas payments, and other interests in excess of the normal one eighth (1/8) royalty interest to which such carried Lessee's share of Unit Production is subject.

11.8 Credits: The Unit Operator shall apply all proceeds collected by it, pursuant to the provisions of paragraph 11.7, against the unpaid Unit Expense due from such carried Lessee, the balance of such proceeds, if any, to be paid to such carried Lessee.

ARTICLE 12 NON-CONSENT PROVISION

12.1 Election: It is understood and agreed that any Working Interest Owner may elect to be carried hereunder, subject to the following terms and conditions: When Unit Operator circulates the Unit Operating Agreement for execution, Unit Operator shall also circulate a ballot under which a party may elect: (a) whether it wishes to be carried; and (b) if it elects not to be carried, the amount of Working Interest as to which it is willing to assume additional participation pursuant to the terms hereof. Failure to return said ballot shall be deemed an election to be carried. In the event that, following the receipt of the Working Interest Owners' ratifications by Unit Operator, the Working Interest Owners, collectively, have not agreed to assume participation as to one hundred percent (100%) of the Working Interest, Unit Operator shall give all Working Interest Owners that have elected to Participate the option to increase the amount of additional participation they are willing to assume within ten (10) days of receiving notice of such option. Thereafter, Unit Operator may elect to assume additional participation. If, following such contact, the Working Interest Owners, collectively, have still not agreed to assume participation as to one hundred percent (100%) of the Working Interest, Unit Operator shall not proceed with the Unitization which is the subject of this agreement. It is understood and agreed that, if the Unit Operating Agreement and the Unit Agreement do become effective under the respective terms thereof, and any parties that did not previously ratify the Unit Operating Agreement and the Unit Agreement, nevertheless become Working Interest Owners as a result of the Oil Conservation Division of the State of New Mexico (the "Division") approving this Unit pursuant to the New Mexico Statutory Unitization Act, such Working Interest Owners shall have the right to elect to participate in the Unit and to elect an amount of additional participation that they are willing to assume within thirty (30) days after said approval by the Division. Once all parties have made the elections allowed under the provisions hereof, the interest of those Working Interest Owners that have elected to be carried shall be allocated among those Working Interest Owners that have elected to participate in proportion to their Working Interest in the Unit, provided that no Working Interest Owner shall be allocated any additional participation in excess of the amount of participation which said Working Interest Owner has elected to assume.

12.2 Non-Consent Penalty: The entire cost and risk of conducting operations shall be borne by the

Working Interest Owners in the proportion that they have elected to participate pursuant to the terms hereof (hereinafter, such Working Interest Owners shall be referred to as "Consenting Parties"). Each Working Interest Owner that has elected to be carried (hereinafter, such Working Interest Owners shall be referred to as "Non-Consenting Parties") shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Parties' share of Unit Production (including its share of any Outside Substances produced and sold) until the proceeds of the sale of such share, calculated at the well, or the market value thereof if such share is not sold (after deducting production taxes, excise taxes, royalty or/and overriding royalty payable out of or measured by the production from such well accruing with respect to such interest) shall equal the Unit Expense accruing for such interest plus an amount equal to 200% of all such Unit Expense allocated to such Non-Consenting Parties' Working Interest, it being further understood and agreed that the unpaid balance of any amount payable out of a Non-Consenting Party's interest hereunder (including the additional 200% of such expenses provided for above) shall bear interest at the rate of 2% above prime rate as established by Bank One of Oklahoma, N.A. to be determined monthly, or at the maximum contract rate permitted by the applicable usury laws, whichever is the lesser.

12.3 Handling of Inventory Adjustment for Non-Consent Parties: It is understood and agreed that Unit Operator shall promptly provide Working Interest Owners with notification of the approval of the inventory and valuation pursuant to Article 10, and that, with regard to any Working Interest Owner that has elected to be carried under Section 12.1, and has not had its Working Interest revert to it pursuant to the terms hereof, the following shall apply: (i) if such Working Interest Owner has a net charge against its interest following the inventory adjustment, such charge shall be considered an expense in the month in which the inventory adjustment is applied and shall be treated as any other expense under Sections 12.1 and 12.2 (ii) if such Working Interest Owner has a net credit against its interest following the inventory adjustment, the amount of such credit shall be applied to the outstanding balance of such Working Interest Owner in the same manner as revenue in the month in which the inventory adjustment is applied, and if the amount of such credit is sufficient for the Working Interest of such Working Interest Owner to revert to it pursuant to the terms hereof, such Working Interest shall revert, and the amount of any net credit remaining shall be paid to Working Interest Owner.

12.4 Payoff of Non-Consent Party's Unpaid Balance: Any Non-Consenting Party shall have the right, at any time, to pay off the amount of its net unpaid balance and, in the event that any Non-Consenting Party exercises this right, the Working Interest of such Non-Consenting Party shall revert to it on the month following the month of such payment.

ARTICLE 13 NON-UNITIZED FORMATIONS

13.1 Right to Operate: Any Working Interest Owner that now has, or hereafter acquires, the right to drill for and produce oil, gas or other minerals other than from the Unitized Formation shall have the right to do so notwithstanding this Plan of Unitization. In exercising the right, however, the Working Interest Owner shall exercise reasonable precaution to prevent unreasonable interference with Unit Operations. No Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well(s) into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to the Operating Committee so that the production of Unitized Substances will not adversely be affected.

13.2 Multiple Completions: No well now or hereafter completed in the Unitized Formation shall ever be completed as a multiple completion with the Unitized Formation and any other formation unless such multiple completion and the subsequent handling of the multiple completion is approved by Working Interest Owners in accordance with the voting procedure set out in Section 4.3.2 of this Agreement.

ARTICLE 14 TITLES

14.1 Title Information: The Working Interest Owners of a Tract shall furnish and make available to the Operating Committee or the Unit Operator the most recent title opinion and supporting documents, which may or may not include updated abstracts to title, together with all other title information in the possession of such Lessees, affecting their title and that of their Royalty Owners to the Oil and Gas Rights in and to such Tract.

14.2 Warranty and Indemnity: Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth opposite its name in Exhibit "D" and agrees to indemnify and hold harmless all other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 a.m. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom as a result of title failure.

14.3 Failure Because of Unit Operations: The failure of title to any Working Interest in any Tract because of Unit Operations, including nonproduction from such Tract, shall not change the Unit Participation of the Working Interest owner whose title failed in relation to the Unit Participation of the other Working Interest Owners at the time of the title failure.

ARTICLE 15 LIABILITY, CLAIMS, AND SUITS

15.1 Individual Liability: The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners. Each party here to shall be individually responsible for its own obligations as herein provided.

15.2 Settlements: Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed fifty thousand dollars (\$50,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above specified amount, Working Interest Owners shall assume and take over the further handling of the claim or suit unless such authority is expressly delegated Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

15.3 Indemnification of Unit Operator: The Working Interest Owners agree to indemnify and hold harmless the Unit Operator from each of the following losses:

(a) Bankruptcy or misappropriation of funds by a drilling contractor to whom a prepayment of intangible drilling costs has been paid for a well to be drilled in a subsequent year. The loss of such prepayment shall constitute an individual loss to the parties making such prepayment.

(b) Any adverse loss or tax consequence incurred as a result of a tax court or any other governmental agency not allowing the deduction of any intangible investment, for any reason.

15.4 Governmental Rulings: Non-Operators agree to release Unit Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Unit Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor agencies to the extent Unit Operator's interpretation or application of such rules, rulings, regulations or orders were made in good faith. Non-Operators further agree to reimburse Unit Operator for their proportionate share of any amounts Unit Operator may be required to refund, rebate or pay as a result of an incorrect interpretation or application of the above noted rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Unit Operator as a result of such incorrect interpretation or application of such rules, rulings, regulations or orders.

ARTICLE 16 INTERNAL REVENUE PROVISION

16.1 Internal Revenue Provision: Each Lessee hereby elects that it and the operations covered by this Plan of Unitization be excluded from the application of Subchapter K of Chapter I of Subtitle A of the Internal Revenue Code of 1986, as amended, or such portion thereof as the Secretary of the Treasury of the United States or his delegate shall permit by election to be excluded therefrom. The Unit Operator is hereby authorized and directed to execute on behalf of each Lessee such additional or further evidence of said election as may be required by regulations issued under said Subchapter K, or should said regulations require each Person to execute such further evidence; each Lessee shall execute or join in the execution thereof. The election hereby made and the other provisions of this Article shall apply in like manner to applicable state laws, regulations, and rulings now in effect. In making this election each of the Lessees hereto hereby states that the income derived by it from the operations under this Plan of Unitization can adequately be determined without the computation of partnership taxable income.

16.2 Governmental Fines, Penalties: All fines, interest, penalties, etc., leveled by the Department of energy or other governing authority shall be paid for out of the Joint Account. Furthermore, if the DOE determines an overcharge has occurred, each party agrees to pay to Unit Operator his share of the overcharge. Unit Operator shall forward this payment to the Agency. If any Overriding Royalty Interest or Royalty Interest Owner refuses to pay his share of the overcharge; then (1) his share of the overcharge shall be charged to the Joint Account; and, (2) if he later pays his share, either with cash or production, the Joint Account will be reimbursed.

ARTICLE 17 NOTICES

17.1 Notices: All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail, telegram, telex, or electronic means to the address of the representative of each Working Interest Owner on the Operating Committee as furnished to the Unit Operator in accordance with Article 3.1 of this agreement.

17.2 Notice of Transfer of Title: No change of title shall be binding on the Unit or the Unit Operator until the first day of the calendar month next succeeding the date of receipt by the Unit Operator of evidence satisfactory to it of change of such ownership. Each such transfer, assignment or conveyance, whether so stating or not, shall operate to impose upon the Person or Persons acquiring such interest the obligation of the predecessor in interest with respect to the interest so transferred and shall likewise operate to give and grant to the Person or Persons acquiring such interest all benefit attributable hereunder to such interest.

ARTICLE 18 WITHDRAWAL OF WORKING INTEREST OWNER

18.1 Withdrawal: A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer. The delivery of the transfer shall be made to Unit Operator for the transferees. The transferred interest shall be owned by the transferees, in proportion to the respective interests so acquired, shall pay the transferor for its interest in Unit Equipment, the salvage value thereof less its share of the estimated cost of salvaging same and of plugging and abandoning all wells then being used or held for Unit Operations, as determined by Working Interest Owners. In the event such withdrawing owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value as determined by Working Interest owners, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after the rendering of such final statement by the Unit Operator, withdrawing owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

18.2 Restriction of Disposition and Withdrawal: A Working Interest Owner shall not make any disposition of a Working Interest which does not include a corresponding interest in the Unit Equipment. No Working Interest shall be owned apart from a corresponding interest in the Unit Equipment and vice versa. Notwithstanding anything set forth herein, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of 18.75% unless the other Working Interest Owners willing to accept the assignment agree to accept the Working Interest subject to such burdens. No Working Interest Owner shall be relieved of its obligations hereunder during a blowout, a fire, or other emergency, but may withdraw from this agreement after termination of such emergency, provided such Working Interest Owner shall remain liable for its share of all costs arising from said emergency.

ARTICLE 19 ABANDONMENT OF WELLS

19.1 Rights of Former Owners: If the Operating Committee elects to permanently abandon any Unit well prior to termination of the Unit, the Unit Operator shall give notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of sixty (60) days after the sending of such notice to notify the Unit Operator in writing of their election to take over and own the

well. Within ten (10) days after the Working Interest Owners of the Tract have notified the Unit Operator of their election to take over the well, they shall pay the Unit Operator, for credit to the joint account, the amount estimated by the Operating Committee to be the net salvage value of the equipment in and on the well. The Working Interest Owners of the Tract, by taking over the well, agree to promptly and effectively seal off and protect the Unitized Formation in a manner satisfactory to the Operating Committee, and upon abandonment to plug the well in compliance with applicable laws and regulations.

19.2 Plugging: If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulation of the Oil Conservation Division of the State of New Mexico with the expense of plugging be charge to the joint account.

ARTICLE 20 MAINTENANCE OF UNIFORM INTEREST

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

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

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

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

ARTICLE 21 EFFECTIVE DATE AND TERM

21.1 Effective Date: This Agreement shall become effective when the Unit Agreement becomes effective. Upon its effective date, this Unit Operating Agreement shall supercede and supplant any and all previously existing operating agreements covering the Unitized Formation, or any portion thereof.

21.2 Term: This agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit wells have been plugged and abandoned or turned over to Working Interest owners in accordance with Article 19 and Article 21; and (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and, (c) there has been a final accounting.

ARTICLE 22 ABANDONMENT OF OPERATIONS

22.1 Termination: Upon termination of the Unit Agreement, the following will occur:

22.1.1 Oil and Gas Rights: Oil and Gas Rights in and to each separate Tract shall no longer be affected by this agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

22.1.2 Right to Operate: Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value, as determined by Working Interest Owners, of the casing and equipment in and on the wells taken over and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations of the Oil Conservation Division of the State of New Mexico.

22.1.3 Salvaging Wells: Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

22.1.4 Plugging and Abandoning Wells: The responsibility and expense of plugging and abandoning all wells not taken over by individual Working Interest Owners pursuant to Paragraph 22.1.2 hereof, shall be borne by the Working Interest Owners. It is expressly understood that upon termination of this Unit Agreement, the responsibility and expense of plugging wells in compliance with all applicable laws and regulations shall rest with all of the Working Interest Owners of the Unit.

22.1.5 Distribution of Assets: Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participation.

22.1.6 Obligations Payable After Termination: If any liability or obligation incurred prior to termination of the Unit shall accrue and become payable thereafter, the account shall be borne and paid as Unit Expense in the same manner as if it had accrued prior to termination of the Unit.

ARTICLE 23 RIGHTS OF WAY AND EASEMENTS

23.1 Assignment to Unit Operator: Each Working Interest Owner having rights of way, easements or leasehold interest in surface sites necessary for Unit Operations hereby agrees to assign, to the extent of its right and interest, to Unit Operator for the benefit of the Working Interest Owners, a non-exclusive right and interest in and to such interest.

23.2 Rental Payments: The owners of such interest agree to make any rental payments which may become due to avoid termination of any such interest for failure to make such payment prior to thirty (30) days beyond the date formal assignment of such interest to Unit Operator is accomplished as described in Section 22.1 above. Any payments made under this paragraph shall be considered a direct charge under Unit Expense.

23.3 Rights of Unit Operator: Such interest described in Section 21.1 above, shall continue with Unit Operator for so long as such are used for Unit Operations.

ARTICLE 24 EXECUTION

24.1 Original, Counterpart, or Other Instrument: An owner of a Working Interest may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any instrument shall have the same effect as if

all the parties had signed the same instrument.

ARTICLE 25
SIGNING, RATIFICATION OR APPROVAL

25.1 Original, Counterparts or Ratification: This Plan of Unitization may be signed, ratified or approved by signing the original of this instrument, a counterpart, or other instrument adopting the provisions hereof, all with the same effect as if a Person had signed the same instrument. Persons signing, ratifying or otherwise approving this Plan of Unitization thereby agree to all the provisions thereof.

25.2 Joinder in Dual Capacity: The signing, ratification or approval of this Plan of Unitization as herein provided by any Person as either a Lessee or as a Royalty Owner shall commit all interests that may be owned or controlled by such Person.

25.3 Heirs, Successors and Assigns: The signing, ratification or approval of this Plan of Unitization shall be binding upon the heirs, personal representatives, successors and assigns of the Persons so signing, ratifying or approving the same.

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 1 A,B,C 1.15822117				Tract 2 0.016338706				Tract 3 0.965487941			
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
	ABO Petroleum	0.03000000	0.03474664	0.02625000	0.03040331	0.03600000	0.00058819	0.02928000	0.00047840	0.02700000	0.02606817	0.02250000
Blake Arnold					0.03000000	0.00049016	0.02440000	0.00039866	0.02250000	0.02172348	0.01875000	0.01810290
Blanco Company					0.80000000	0.92657694	0.70000000	0.81075482	0.68500000	0.66135924	0.53918333	0.52057500
Cardinal River Energy Co					0.02500000	0.02895553	0.02187500	0.02533609	0.10800000	0.10427270	0.09000000	0.08689391
Charles B. Read					0.12000000	0.13898654	0.10500000	0.12161322	0.00450000	0.00434470	0.00375000	0.00362058
Chesapeake Energy					0.09600000	0.00156852	0.07808000	0.00127573	0.07200000	0.06951513	0.06000000	0.05792928
Chesapeake Investments					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
Claude C. Arnold					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
David C. Story					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
Energen Resources Corp					0.03600000	0.00058819	0.02928000	0.00047840	0.02700000	0.02606817	0.02250000	0.02172348
H J Freede, Inc.					0.02500000	0.00040847	0.02033333	0.00039222				
J C Henderson					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
J Durwood Pate Trust Dated Various					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
Jack Ahlen					0.02500000	0.00040847	0.02033333	0.00039222				
James D. Pate, Jr Trust Dated Various					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
Jerry Dickson					0.02500000	0.00040847	0.02033333	0.00039222				
Joe H. Pate Trust					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
Larry Fenity					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
Monarch Resources, LLC					0.01200000	0.00019606	0.00976000	0.00015947	0.00900000	0.00868939	0.00750000	0.00724116
MYCO Industries												
Patricia Dimsha												
Robert & Dawn Willis												
Rehoboth Inc.												
Stanley J. Dimsha												
Stephen R. Howard												
TLW Investments	0.02500000	0.02895553	0.02187500	0.02533609					0.00900000	0.00868939	0.00750000	0.00724116
Tropical Minerals, Inc.												
Unleased												
Yates Drilling												
Yates Petroleum												
	1.00000000	1.15822117	0.87500000	1.01344352	1.00000000	0.01633871	0.80223333	0.01310745	1.00000000	0.96548794	0.80168333	0.77401559

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 4				Tract 5				Tract 6			
	4.676262851		2.299570823		4.411289643		2.299570823		4.411289643		2.299570823	
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
ABO Petroleum	0.02700000	0.12625910	0.02250000	0.10521591	0.02700000	0.06208841	0.02250000	0.05174034	0.02700000	0.11910482	0.02250000	0.09925402
Blake Arnold												
Blanco Company												
Cardinal River Energy Co	0.03775834	0.17656792	0.03019376	0.14119396	0.02250000	0.05174034	0.01875000	0.04311695	0.02342325	0.10332674	0.01951938	0.08610564
Charles B. Read												
Chesapeake Energy	0.57091495	2.66974837	0.45157150	2.11166703	0.68500000	1.57520601	0.53918330	1.23989018	0.65904560	2.90724103	0.51978652	2.29292889
Chesapeake Investments	0.02500000	0.11690657	0.01977403	0.09246856					0.02500000	0.11028224	0.01971740	0.08697916
Claude C. Arnold	0.10800000	0.50503639	0.09000000	0.42086366	0.10800000	0.24835365	0.09000000	0.20696137	0.10800000	0.47641928	0.09000000	0.39701607
David C. Story	0.00450000	0.02104318	0.00375000	0.01753599	0.00450000	0.01034807	0.00375000	0.00862339	0.00468465	0.02066535	0.00390388	0.01722115
Energen Resources Corp												
H J Freede, Inc.	0.07200000	0.33669093	0.06000000	0.28057577	0.07200000	0.16556910	0.06000000	0.13797425	0.07200000	0.31761285	0.06000000	0.26467738
J C Henderson												
J Durwood Pate Trust Dated Various	0.01510334	0.07062719	0.01207750	0.05647756	0.00900000	0.02069614	0.00750000	0.01724678				
Jack Ahlen												
James D. Pate, Jr Trust Dated Various	0.01510334	0.07062719	0.01207750	0.05647756	0.00900000	0.02069614	0.00750000	0.01724678				
Jerry Dickson												
Joe H. Pate Trust	0.01510334	0.07062719	0.01207750	0.05647756	0.00900000	0.02069614	0.00750000	0.01724678				
Larry Fenity	0.00900000	0.04208637	0.00750000	0.03507197	0.00900000	0.02069614	0.00750000	0.01724678	0.00900000	0.03970161	0.00750000	0.03308467
Monarch Resources, LLC	0.01510334	0.07062719	0.01207750	0.05647756	0.00900000	0.02069614	0.00750000	0.01724678	0.00936930	0.04133070	0.00780775	0.03444225
MYCO Industries												
Patrica Dimsha												
Robert & Dawn Willis												
Rehoboth Inc.	0.04531001	0.21188152	0.03623251	0.16943274	0.02700000	0.06208841	0.02250000	0.05174034	0.02810790	0.12399209	0.02342325	0.10332674
Stanley J. Dimsha												
Stephen R. Howard												
TLW Investments	0.02500000	0.11690657	0.01977403	0.09246856					0.02500000	0.11028224	0.01971740	0.08697916
Tropical Minerals, Inc.	0.01510334	0.07062719	0.01207750	0.05647756	0.00900000	0.02069614	0.00750000	0.01724678	0.00936930	0.04133070	0.00780775	0.03444225
Unleased												
Yates Drilling												
Yates Petroleum	1.00000000	4.67626285	0.80168333	3.74888197	1.00000000	2.29957082	0.80168333	1.84352753	1.00000000	4.41128964	0.80168333	3.53645737

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 7 0.204389616				Tract 8 9.80489069				Tract 9 0.05318492			
	WI	TPF	WI	TPF NRI	WI	TPF	WI	TPF NRI	WI	TPF	WI	TPF NRI
ABO Petroleum	0.10000000	0.02043896	0.08333333	0.01703247								
Blake Arnold									0.03000000	0.00159555	0.02381250	0.00126647
Bianco Company									0.02500000	0.00132962	0.01984375	0.00105539
Cardinal River Energy Co									0.65000000	0.03457020	0.49537500	0.02634648
Charles B. Read									0.12000000	0.00638219	0.09525000	0.00506586
Chesapeake Energy									0.00500000	0.00026592	0.00396875	0.00021108
Chesapeake Investments									0.08000000	0.00425479	0.06350000	0.00337724
Claude C. Arnold									0.01000000	0.00053185	0.00793750	0.00042216
David C. Story									0.01000000	0.00053185	0.00793750	0.00042216
Energen Resources Corp									0.01000000	0.00053185	0.00793750	0.00042216
H J Freede, Inc.									0.01000000	0.00053185	0.00793750	0.00042216
J C Henderson									0.01000000	0.00053185	0.00793750	0.00042216
J Durwood Pate Trust Dated Various									0.01000000	0.00053185	0.00793750	0.00042216
Jack Ahlen									0.01000000	0.00053185	0.00793750	0.00042216
James D. Pate, Jr Trust Dated Various									0.01000000	0.00053185	0.00793750	0.00042216
Jerry Dickson									0.01000000	0.00053185	0.00793750	0.00042216
Joe H. Pate Trust									0.01000000	0.00053185	0.00793750	0.00042216
Larry Fenity									0.01000000	0.00053185	0.00793750	0.00042216
Monarch Resources, LLC									0.01000000	0.00053185	0.00793750	0.00042216
MYCO Industries	0.10000000	0.02043896	0.08333333	0.01703247					0.03000000	0.00159555	0.02381250	0.00126647
Patricia Dimsha									0.01000000	0.00053185	0.00793750	0.00042216
Rehoboth Inc.									0.01000000	0.00053185	0.00793750	0.00042216
Robert & Dawn Willis									0.01000000	0.00053185	0.00793750	0.00042216
Rehoboth Inc.									0.01000000	0.00053185	0.00793750	0.00042216
Stanley J. Dimsha									0.01000000	0.00053185	0.00793750	0.00042216
Stephen R. Howard									0.01000000	0.00053185	0.00793750	0.00042216
TLW Investments									0.01000000	0.00053185	0.00793750	0.00042216
Tropical Minerals, Inc.									0.01000000	0.00053185	0.00793750	0.00042216
Unleased									0.01000000	0.00053185	0.00793750	0.00042216
Yates Drilling	0.10000000	0.02043896	0.08333333	0.01703247					0.01000000	0.00053185	0.00793750	0.00042216
Yates Petroleum	0.70000000	0.14307273	0.58333333	0.11922728					0.01000000	0.00053185	0.00793750	0.00042216
	1.00000000	0.20438962	0.83333333	0.17032468	1.00000000	9.80489069	0.82400000	8.07922993	1.00000000	0.05318492	0.77318750	0.04112192

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 10				Tract 11				Tract 12			
	6.101053971		8.826466852		2.605165351		2.605165351		2.605165351		2.605165351	
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
ABO Petroleum	0.05280000	0.32213565	0.03907200	0.23838038	0.08556350	0.75522340	0.06409190	0.56570503	0.10470438	0.27277221	0.07854792	0.20463032
Blake Arnold	0.02000000	0.12202108	0.01500000	0.09151581	0.03241040	0.28606932	0.02447770	0.21605161	0.03966078	0.10332289	0.02995300	0.07803252
Blanco Company	0.72000000	4.39275886	0.54970000	3.35374937	0.54625400	4.82149282	0.41701240	3.68074613	0.68222499	1.77730891	0.51429050	1.33981179
Cardinal River Energy Co	0.06720000	0.40999083	0.04972800	0.30339321	0.10889900	0.96119341	0.08157303	0.72000165	0.13326016	0.34716474	0.09997008	0.26043859
Charles B. Read	0.00400000	0.02440422	0.00300000	0.01830316	0.00648210	0.05721404	0.00489550	0.04320997	0.00645554	0.01681775	0.00487540	0.01270122
Chesapeake Energy	0.06400000	0.39046745	0.04800000	0.29285059	0.10371330	0.91542200	0.078332860	0.69136479				
Chesapeake Investments	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Claude C. Arnold	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
David C. Story	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Energen Resources Corp	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
H J Freede, Inc.	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
J C Henderson	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
J Dunwood Pate Trust Dated Various	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Jack Ahlen	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
James D. Pate, Jr Trust Dated Various	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Jerry Dickson	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Joe H. Pate Trust	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Larry Fenity	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
Monarch Resources, LLC	0.00800000	0.04880843	0.00600000	0.03660632	0.01296420	0.11442808	0.00979110	0.08642082				
MYCO Industries	0.02400000	0.14642530	0.01800000	0.10981897	0.03889250	0.34328336	0.02937320	0.25926158				
Patricia Dimsha												
Robert & Dawn Willis												
Rehoboth Inc.												
Stanley J. Dimsha												
Stephen R. Howard												
TLW Investments												
Tropical Minerals, Inc.												
Unleased												
Yates Drilling												
Yates Petroleum												
	1.00000000	6.10105397	0.75850000	4.62764944	1.00000000	8.82646685	0.75849883	6.69486478	1.00000000	2.60516535	0.75300000	1.96168951

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 13 3.5744812				Tract 14 1.994327833				Tract 15 4.454748162			
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
	ABO Petroleum	0.02400000	0.08578755	0.01776000	0.06348279	0.02400000	0.04786387	0.01776000	0.03541926	0.05280000	0.23521070	0.03907200
Blake Arnold	0.02000000	0.07148962	0.01500000	0.05361722	0.02000000	0.03988656	0.01500000	0.02991492	0.02000000	0.08909496	0.01500000	0.06682122
Blanco Company	0.72000000	2.57362646	0.54970000	1.96489232	0.72000000	1.43591604	0.54970000	1.09628201	0.72000000	3.20741868	0.54970000	2.44877506
Cardinal River Energy Co	0.09600000	0.34315020	0.07104000	0.25393114	0.09600000	0.19145547	0.07104000	0.14167705	0.06720000	0.29935908	0.04972800	0.22152572
Charles B. Read	0.00400000	0.01429792	0.00300000	0.01072344	0.00400000	0.00797731	0.00300000	0.00598298	0.00400000	0.01781899	0.00300000	0.01336424
Chesapeake Energy	0.06400000	0.22876680	0.04800000	0.17157510	0.06400000	0.12763698	0.04800000	0.09572774	0.06400000	0.28510388	0.04800000	0.21382791
Chesapeake Investments	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Claude C. Arnold	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
David C. Story	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Energen Resources Corp	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
H J Freede, Inc.	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
J C Henderson	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
J Durwood Pate Trust Dated Various	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Jack Ahlen	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
James D. Pate, Jr Trust Dated Various	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Jerry Dickson	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Joe H. Pate Trust	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Larry Fenity	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Monarch Resources, LLC	0.00800000	0.02859585	0.00600000	0.02144689	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
MYCO Industries												
Patricia Dimsha												
Robert & Dawn Willis	0.02400000	0.08578755	0.00600000	0.02144689	0.02400000	0.04786387	0.01800000	0.03569790	0.02400000	0.10691396	0.01800000	0.08018547
Rehoboth Inc.												
Stanley J. Dimsha												
Stephen R. Howard												
TLW Investments	0.00800000	0.02859585	0.01800000	0.06434066	0.00800000	0.01595462	0.00600000	0.01196597	0.00800000	0.03563799	0.00600000	0.02672849
Tropical Minerals, Inc.												
Unleased												
Yates Drilling												
Yates Petroleum	1.00000000	3.57448120	0.75850000	2.71124399	1.00000000	1.99432783	0.75850000	1.51269766	1.00000000	4.45474816	0.75850000	3.37892648

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 16 6.13974717				Tract 17 12.06969476				Tract 18 2.284428454			
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
ABO Petroleum	0.03000000	0.18419242	0.02355000	0.14459105	0.06600000	0.79659985	0.05181000	0.62533089	0.06487171	0.14819478	0.05076079	0.11595939
Blake Arnold									0.00854700	0.01952501	0.00747860	0.01708433
Blanco Company									0.02457260	0.05613435	0.01942710	0.04437982
Cardinal River Energy Co	0.02500000	0.15349368	0.01984370	0.12183530	0.02500000	0.30174237	0.01984370	0.23950740	0.00854700	0.01952501	0.00747860	0.01708433
Charles B. Read									0.63888890	1.45949598	0.48634940	1.11103041
Chesapeake Energy	0.60000000	3.68384830	0.45656250	2.80317832	0.65000000	7.84530159	0.49537500	5.97902504				
Chesapeake Investments	0.02500000	0.15349368	0.01940625	0.11914947								
Claude C. Arnold	0.12000000	0.73676966	0.09420000	0.57836418	0.08400000	1.01385436	0.06594000	0.79587567	0.08256409	0.18861176	0.06460461	0.14758461
David C. Story	0.00500000	0.03069874	0.00396880	0.02436743	0.00500000	0.06034847	0.00396880	0.04790220	0.00491450	0.01122682	0.00388540	0.00887592
Energen Resources Corp												
H J Freede, Inc.	0.08000000	0.49117977	0.06350000	0.38987395	0.08000000	0.96557558	0.06350000	0.76642562	0.07863250	0.17963032	0.06216670	0.14201538
J C Henderson												
J Durwood Pate Trust Dated Various	0.01000000	0.06139747	0.00793750	0.04873424	0.01000000	0.12069695	0.00793750	0.09580320	0.00982910	0.02245388	0.00777080	0.017775184
Jack Ahlen												
James D. Pate, Jr Trust Dated Various												
Jerry Dickson	0.01000000	0.06139747	0.00793750	0.04873424	0.01000000	0.12069695	0.00793750	0.09580320	0.00982910	0.02245388	0.00777080	0.017775184
Joe H. Pate Trust	0.01000000	0.06139747	0.00793750	0.04873424	0.01000000	0.12069695	0.00793750	0.09580320	0.00982910	0.02245388	0.00777080	0.017775184
Larry Fenity	0.01000000	0.06139747	0.00793750	0.04873424	0.01000000	0.12069695	0.00793750	0.09580320	0.00982910	0.02245388	0.00777080	0.017775184
Monarch Resources, LLC	0.01000000	0.06139747	0.00793750	0.04873424	0.01000000	0.12069695	0.00793750	0.09580320	0.00982910	0.02245388	0.00777080	0.017775184
MYCO Industries												
Patrica Dimsha												
Robert & Dawn Willis												
Rehoboth Inc.	0.03000000	0.18419242	0.02381250	0.14620273	0.03000000	0.36209084	0.02381250	0.28740961	0.02948710	0.06736117	0.02331250	0.05325574
Stanley J. Dimsha												
Stephen R. Howard												
TLW Investments	0.02500000	0.15349368	0.01940625	0.11914947								
Tropical Minerals, Inc.	0.01000000	0.06139747	0.00793750	0.04873424	0.01000000	0.12069695	0.00793750	0.09580320	0.00982910	0.02245388	0.00777080	0.017775184
Unleased												
Yates Drilling												
Yates Petroleum	1.00000000	6.13974717	0.77187500	4.73911735	1.00000000	12.06969476	0.77187500	9.31629564	1.00000000	2.28442845	0.77208850	1.76378094

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 19 1.126766991						Tract 20 0.169493828						Tract 21 0.178093147					
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI		
	ABO Petroleum	0.02948710	0.03322509	0.02307299	0.02599788	0.00515625	0.00087395	0.00412515	0.00069919	0.00656250	0.00116874	0.00412515	0.00073466	0.00656250	0.00116874	0.00412515	0.00073466	
Blake Arnold	0.00854700	0.00963048	0.00747860	0.00842664														
Blanco Company	0.02457260	0.02768759	0.01942709	0.02188980														
Cardinal River Energy Co	0.00854700	0.00963048	0.00747860	0.00842664														
Charles B. Read	0.58888890	0.66354057	0.44828717	0.50511519	0.71104182	0.12051720	0.53620874	0.09088407	0.70401032	0.12537941	0.53620874	0.09549510	0.70401032	0.12537941	0.53620874	0.09549510		
Chesapeake Energy	0.02500000	0.02816917	0.01903104	0.02144355														
Chesapeake Investments	0.11794870	0.13290070	0.09229223	0.10399184	0.02062500	0.00349581	0.01650059	0.00279675	0.02625000	0.00467495	0.01650059	0.00293864	0.02625000	0.00467495	0.01650059	0.00293864		
Claude C. Arnold	0.00491450	0.00553750	0.00388537	0.00437791														
David C. Story																		
Energen Resources Corp	0.07863250	0.08860051	0.06216667	0.07004735														
H J Freede, Inc.																		
J C Henderson	0.00982910	0.01107511	0.00777085	0.00875594														
J Durwood Pate Trust Dated Various																		
Jack Ahlen	0.00982910	0.01107511	0.00777085	0.00875594														
James D. Pate, Jr Trust Dated Various																		
Jerry Dickson	0.00982910	0.01107511	0.00777085	0.00875594														
Joe H. Pate Trust	0.00982910	0.01107511	0.00777085	0.00875594														
Larry Fenity	0.00982910	0.01107511	0.00777085	0.00875594														
Monarch Resources, LLC																		
MYCO Industries																		
Patricia Dimsha																		
Robert & Dawn Willis																		
Rehoboth Inc.	0.02948710	0.03322509	0.02331250	0.02626776														
Stanley J. Dimsha																		
Stephen R. Howard																		
TLW Investments	0.02500000	0.02816917	0.01903104	0.02144355														
Tropical Minerals, Inc.	0.00982910	0.01107511	0.00777085	0.00875594														
Unleashed																		
Yates Drilling					0.26317693	0.04460687	0.26317693	0.04460687	0.26317718	0.04687005	0.26317693	0.04687001	0.26317718	0.04687005	0.26317693	0.04687001		
Yates Petroleum	1.00000000	1.12676699	0.77208840	0.86996372	1.00000000	0.16949383	0.82001140	0.13898687	1.00000000	0.17809315	0.82001140	0.14603841	1.00000000	0.17809315	0.82001140	0.14603841		

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Tracts Unit Participation Fraction	Tract 22				Tract 23				Tract 24			
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
Working Interest Owner		10.36143258		1.825441362		0.005857507						
ABO Petroleum												
Blake Arnold	0.06600000	0.68385455	0.05172750	0.53597100	0.05775000	0.10541924	0.04518935	0.08249051	0.02625000	0.00015376	0.02054060	0.00012032
Blanco Company												
Cardinal River Energy Co	0.02500000	0.25903581	0.01984370	0.20560916	0.02187500	0.03993153	0.01733590	0.03164567	0.02187500	0.00012813	0.01733590	0.00010155
Charles B. Read												
Chesapeake Energy	0.65000000	6.73493118	0.49500000	5.12890913	0.69375000	1.26639994	0.53077340	0.96889572	0.69375000	0.00406365	0.53114840	0.00311121
Chesapeake Investments												
Claude C. Arnold	0.08400000	0.87036034	0.06583500	0.68214491	0.07350000	0.13416994	0.05751375	0.10498798	0.10500000	0.00061504	0.08216250	0.00048127
David C. Story	0.00500000	0.05180716	0.00396880	0.04112245	0.00437500	0.00798631	0.00346720	0.00632917	0.00437500	0.00002563	0.00346720	0.00002031
Energen Resources Corp												
H J Freede, Inc.	0.08000000	0.82891461	0.06350000	0.65795097	0.07000000	0.12778090	0.05547500	0.10126636	0.07000000	0.00041003	0.05547500	0.00032495
J C Henderson												
J Durwood Pate Trust Dated Various	0.01000000	0.10361433	0.00793750	0.08224387	0.00875000	0.01597261	0.00693440	0.01265834	0.00875000	0.00005125	0.00693440	0.00004062
Jack Ahlen												
James D. Pate, Jr Trust Dated Various	0.01000000	0.10361433	0.00793750	0.08224387	0.00875000	0.01597261	0.00693440	0.01265834	0.00875000	0.00005125	0.00693440	0.00004062
Jerry Dickson												
Joe H. Pate Trust	0.01000000	0.10361433	0.00793750	0.08224387	0.00875000	0.01597261	0.00693440	0.01265834	0.00875000	0.00005125	0.00693440	0.00004062
Larry Fenity	0.01000000	0.10361433	0.00793750	0.08224387	0.00875000	0.01597261	0.00693440	0.01265834	0.00875000	0.00005125	0.00693440	0.00004062
Monarch Resources, LLC	0.01000000	0.10361433	0.00793750	0.08224387	0.00875000	0.01597261	0.00693440	0.01265834	0.00875000	0.00005125	0.00693440	0.00004062
MYCO Industries												
Patricia Dimsha												
Robert & Dawn Willis												
Rehoboth Inc.	0.03000000	0.31084298	0.02381250	0.24673161	0.02625000	0.04791784	0.02080310	0.03797484	0.02625000	0.00015376	0.02080310	0.00012185
Stanley J. Dimsha												
Stephen R. Howard												
TLW Investments	0.01000000	0.10361433	0.00793750	0.08224387	0.00875000	0.01597261	0.00693440	0.01265834	0.00875000	0.00005125	0.00693440	0.00004062
Tropical Minerals, Inc.												
Unleased												
Yates Drilling												
Yates Petroleum	1.00000000	10.36143258	0.77131250	7.99190247	1.00000000	1.82544136	0.77216410	1.40954029	1.00000000	0.00585751	0.77253910	0.00452515

Exhibit "D"

Trinity Burrus Abo Unit
Working Interest Owner Unit Participation

Working Interest Owner	Tract 25 2.792226965				Tract 26 4.514860615				Tract 27 3.236196963			
	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI	WI	TPF WI	NRI	TPF NRI
ABO Petroleum	0.02625000	0.07329596	0.02053594	0.05734101	0.05940000	0.26818272	0.04633200	0.20918252	0.02700000	0.08737732	0.02093310	0.06774363
Blake Arnold	0.02187500	0.06107996	0.01736328	0.04848222	0.02250000	0.10158436	0.01755000	0.07923580	0.02250000	0.07281443	0.01744425	0.05645303
Blanco Company	0.64375000	1.79749611	0.49154798	1.37251352	0.68500000	3.09267952	0.52159062	2.35490895	0.58640000	1.89770590	0.44763212	1.44862570
Cardinal River Energy Co	0.02500000	0.06980567	0.01908931	0.05330169	0.02500000	0.08090492	0.05898800	0.26623230	0.02500000	0.08090492	0.01908391	0.06175928
Charles B. Read	0.10500000	0.29318383	0.08214374	0.22936397	0.07560000	0.34132346	0.05898800	0.26623230	0.10800000	0.34950927	0.08373240	0.27097454
Chesapeake Energy	0.00437500	0.01221599	0.00347265	0.00969643	0.00450000	0.02031687	0.00351000	0.01584716	0.00774000	0.02504816	0.00588240	0.01903661
Chesapeake Investments	0.07000000	0.19545589	0.05556249	0.15514308	0.07200000	0.32506996	0.05616000	0.25355457	0.07200000	0.23300618	0.05582160	0.18064969
Claude C. Arnold	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
David C. Story	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Energen Resources Corp	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
H J Freede, Inc.	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
H C Henderson	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
J Durwood Pate Trust Dated Various	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Jack Ahlen	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
James D. Pate, Jr Trust Dated Various	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Jerry Dickson	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Joe H. Pate Trust	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Larry Fenity	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Monarch Resources, LLC	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
MYCO Industries	0.02625000	0.07329596	0.02083594	0.05817867	0.02700000	0.12190124	0.02106000	0.09508296	0.04644000	0.15028899	0.03529440	0.11421963
Patrica Dimsha	0.02500000	0.06980567	0.01908931	0.05330169	0.00900000	0.04063375	0.00702000	0.03169432	0.02500000	0.08090492	0.01908391	0.06175928
Robert & Dawn Willis	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Rehoboth Inc.	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Stanley J. Dimsha	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Stephen R. Howard	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
TLW Investments	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Tropical Minerals, Inc.	0.00875000	0.02443199	0.00694531	0.01939288	0.00900000	0.04063375	0.00702000	0.03169432	0.01548000	0.05009633	0.01176480	0.03807321
Unleased												
Yates Drilling												
Yates Petroleum	1.00000000	2.79222696	0.77131250	2.15367956	1.00000000	4.51486062	0.76729062	3.46421020	1.00000000	3.23619696	0.76592198	2.47867438

Exhibit "D"

Trinity Burrus Abo Unit Working Interest Owner Unit Participation

Tracts Unit Participation Fraction Working Interest Owner	Tract 28			Total of All Tracts		
	WI	TPF WI	NRI	TPF % WI	TPF NRI	TPF NRI
	4.149879926			100.0000		
ABO Petroleum				0.020438961596		0.017032467929
Blake Arnold				4.471982630142		3.457917668473
Blanco Company				0.029155487470		0.025510966256
Cardinal River Energy Co				2.140694930741		1.675066546161
Charles B. Read				0.029155487470		0.025510966256
Chesapeake Energy				65.390492685596		50.753644941207
Chesapeake Investments				0.588517793823		0.460437795627
Claude C. Arnold				8.103586358093		6.327031702163
David C. Story				0.420507142072		0.329152521059
Energen Resources Corp	0.91620000	3.80211999	0.73283175	3.802119988512	3.041163768303	3.041163768303
H J Freede, Inc.				6.278232180069		4.928407685295
J C Henderson				0.098048906887		0.080890348181
J Durwood Pate Trust Dated Various				0.794589253061		0.619864075618
Jack Ahlen	0.01500000	0.06224820	0.01199790	0.062248198895	0.04978984	0.049789844368
James D. Pate, Jr Trust Dated Various				0.794589253061		0.619864075618
Jerry Dickson	0.00500000	0.02074940	0.00397759	0.020749399632	0.01650653	0.016506533697
Joe H. Pate Trust				0.773618696743		0.604369811800
Larry Fenity				0.805620804228		0.631682148365
Monarch Resources, LLC				0.861528281633		0.673536509783
MYCO Industries				0.020438961596		0.017032467929
Patrica Dimsha	0.03040000	0.12615635	0.02431575	0.126156349761	0.10090742	0.100907422069
Robert & Dawn Willis	0.00300000	0.01244964	0.00239958	0.012449639779	0.00995797	0.009957968874
Rehoboth Inc.				2.507758235685		1.920024373591
Stanley J. Dimsha	0.03040000	0.12615635	0.02431575	0.126156349761	0.10090742	0.100907422069
Stephen R. Howard				0.000408467662		0.000332220360
TLW Investments				0.588517793823		0.460437793362
Tropical Minerals, Inc.				0.877249151943		0.728413103829
Unleased				0.091476917498		0.091476872975
Yates Drilling				0.020438961596		0.017032467929
Yates Petroleum				0.143072731172		0.119227275909
	1.00000000	4.14987993	0.79988331	3.31923296	100.000000000000	77.903129765056

EXHIBIT " E "

1 Attached to and made a part of that certain Operating Agreement dated September 1, 2005 by Chesapeake Operating Inc. under
2 contract to Chesapeake Exploration Limited Partnership and Chesapeake Permian Limited Partnership as Operator and
3 _____
4 _____ as, Non-Operator
5 _____
6 _____

7
8 **ACCOUNTING PROCEDURE**
9 **JOINT OPERATIONS**

10
11
12 **I. GENERAL PROVISIONS**

13
14 **1. Definitions**

15
16 "Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure
17 is attached.

18 "Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and
19 maintenance of the Joint Property.

20 "Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint
21 Operations and which are to be shared by the Parties.

22 "Operator" shall mean the party designated to conduct the Joint Operations.

23 "Non-Operators" shall mean the Parties to this agreement other than the Operator.

24 "Parties" shall mean Operator and Non-Operators.

25 "First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct
26 supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating
27 capacity.

28 "Technical Employees" shall mean those employees having special and specific engineering, geological or other
29 professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and
30 problems for the benefit of the Joint Property.

31 "Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

32 "Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

33 "Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as
34 most recently recommended by the Council of Petroleum Accountants Societies.

35
36 **2. Statement and Billings**

37
38 Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint
39 Account for the preceding month. Such bills will be accompanied by statements which identify the authority for
40 expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and
41 expense except that items of Controllable Material and unusual charges and credits shall be separately identified and
42 fully described in detail.

43
44 **3. Advances and Payments by Non-Operators**

45
46 A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their
47 share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the
48 billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust
49 each monthly billing to reflect advances received from the Non-Operators.

50
51 B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made
52 within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Bank One of Oklahoma, N.A. +2%
53 on the first day of the month in which delinquency occurs plus 1% or the
54 maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located,
55 whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid
56 amounts.

57 Operator may, at its option, choose to substitute other penalties described elsewhere in this Agreement for failure to pay bills within the fifteen
58 (15) day time frame described above.

59 **4. Adjustments**

60
61 Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof;
62 provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall
63 conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar
64 year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes
65 claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same
66 prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of
67 Controllable Material as provided for in Section V.

1 **5. Audits**

2
3 A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit
4 Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four
5 (24) month period following the end of such calendar year; provided, however, the making of an audit shall not
6 extend the time for the taking of written exception to and the adjustments of accounts as provided for in
7 Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make
8 every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience
9 to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this
10 paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year
11 without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made
12 at the expense of those Non-Operators approving such audit.

13
14 B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

15
16 **6. Approval By Non-Operators**

17
18 Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this
19 Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no
20 contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the
21 agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

22
23
24 **II. DIRECT CHARGES**

25
26 Operator shall charge the Joint Account with the following items:

27
28 **1. Ecological and Environmental**

29
30 Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy
31 environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or
32 archaeological nature and pollution control procedures as required by applicable laws and regulations.

33
34 **2. Rentals and Royalties**

35
36 Lease rentals and royalties paid by Operator for the Joint Operations.

37
38 **3. Labor**

39
40 A. (1) Salaries and wages of Operator's field employees ^{and/or consultants} directly employed on the Joint Property in the conduct of
41 Joint Operations.

42
43 (2) Salaries of First level Supervisors in the field. ^{and/or consultants}

44
45 (3) Salaries and wages of Technical Employees ^{and/or consultants} directly employed on the Joint Property if such charges are
46 excluded from the overhead rates.

47
48 (4) Salaries and wages of Technical Employees ^{and/or consultants} either temporarily or permanently assigned to and directly
49 employed in the operation or the Joint Property if such charges are excluded from the overhead rates.

50
51 B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to
52 employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.
53 Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment"
54 on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If
55 percentage assessment is used, the rate shall be based on the Operator's cost experience.

56
57 C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are
58 applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

59
60 D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under
61 Paragraphs 3A and 3B of this Section II.

62
63 **4. Employee Benefits**

64
65 Operator's current costs or established plans for employees' group life insurance, hospitalization, pension, retirement,
66 stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the
67 Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent
68 most recently recommended by the Council of Petroleum Accountants Societies.

69
70

1 5. **Material**

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

7
8 6. **Transportation**

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

11
12 A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be
13 made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like
14 material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

15
16 B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint
17 Account for a distance greater than the distance to the nearest reliable supply store where like material is normally
18 available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be
19 made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the
20 Parties.

21
22 C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is
23 available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the
24 amount most recently recommended by the Council of Petroleum Accountants Societies.

25
26 7. **Services**

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

33
34 8. **Equipment and Facilities Furnished By Operator**

35
36 A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate
37 with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating
38 expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to
39 exceed eight percent (8%) per annum. Such rates shall not exceed average commercial
40 rates currently prevailing in the immediate area of the Joint Property.

41
42 B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the
43 immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates
44 published by the Petroleum Motor Transport Association.

45
46 9. **Damages and Losses to Joint Property**

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

52
53 10. **Legal Expense**

54
55 ^{title and regulatory work.}
56 Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and
57 amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to
58 protect or recover the Joint Property, ~~except that no charge for services of Operator's legal staff or fees or expense of~~
59 ~~outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be~~
60 ~~covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section~~
61 ~~I, Paragraph 7.~~

62
63 11. **Taxes**

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

70

1 12. Insurance

2
3 Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the
4 event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation
5 and/or Employers Liability under the respective state's laws. Operator may, at its election, include the risk under its self-
6 insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.
7

8 13. Abandonment and Reclamation

9
10 Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory
11 authority.
12

13 14. Communications

14
15 Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and
16 microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint
17 Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.
18

19 15. Other Expenditures

20 The cost of Operator's Field Offices not covered in Section III, or any
21 ~~Any~~ other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which
22 is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint
23 Operations.
24

25
26 III. OVERHEAD

27
28 I. Overhead - Drilling and Producing Operations

29
30 i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge
31 drilling and producing operations on either:

- 32
33 (X) Fixed Rate Basis, Paragraph IA, or
34 () Percentage Basis, Paragraph IB
35

36 Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and
37 salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under
38 Paragraph 3A, Section II. ~~The cost and expense of services from outside sources in connection with matters of~~
39 ~~taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in~~
40 ~~the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are~~
41 ~~agreed to by the Parties as a direct charge to the Joint Account.~~
42

43 ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant
44 services and contract services of technical personnel directly employed on the Joint Property:

- 45
46 () shall be covered by the overhead rates, or
47 (X) shall not be covered by the overhead rates.
48

49 iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services
50 and contract services of technical personnel either temporarily or permanently assigned to and directly employed in
51 the operation of the Joint Property:

- 52
53 () shall be covered by the overhead rates, or
54 (X) shall not be covered by the overhead rates.
55

56 A. Overhead - Fixed Rate Basis

57
58 (1) Operator shall charge the Joint Account at the following rates per well per month:

59
60 Drilling Well Rate \$ 10,998.00
61 (Prorated for less than a full month)

62
63 Producing Well Rate \$ 800.00
64

65 (2) Application of Overhead - Fixed Rate Basis shall be as follows:

66
67 (a) Drilling Well Rate

68 (1) Charges for drilling wells shall begin on the date ^{location work begins} ~~the well is spudded~~ and terminate on the date
69 the drilling rig, completion rig, or other units used in completion of the well is released, whichever
70

1 is later, except that no charge shall be made during suspension of drilling or completion operations
2 for fifteen (15) or more consecutive calendar days.

3
4 (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5)
5 consecutive work days or more shall be made at the drilling well rate. Such charges shall be
6 applied for the period from date workover operations, with rig or other units used in workover,
7 commence through date of rig or other unit release, except that no charge shall be made during
8 suspension of operations for fifteen (15) or more consecutive calendar days.

9
10 (b) Producing Well Rates

11
12 (1) An active well either produced or injected into for any portion of the month shall be considered as
13 a one-well charge for the entire month.

14
15 ~~(2) Each active completion in a multi-completed well in which production is not commingled down
16 hole shall be considered as a one-well charge providing each completion is considered a separate
17 well by the governing regulatory authority.~~

18
19 ~~(3) An inactive gas well shut in because of overproduction or failure of purchaser to take the
20 production shall be considered as a one-well charge providing the gas well is directly connected to
21 a permanent sales outlet.~~

22
23 (4) A one-well charge shall be made for the month in which plugging and abandonment operations
24 are completed on any well. This one-well charge shall be made whether or not the well has
25 produced except when drilling well rate applies.

26
27 (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease
28 allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

29
30 (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the
31 agreement to which this Accounting Procedure is attached ~~7~~. ~~The adjustment shall be computed by multiplying~~
32 ~~the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude~~
33 ~~Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as~~
34 ~~shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as approved and recorded by COPAS,~~
35 ~~published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as~~
36 ~~published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or~~
37 ~~minus the computed adjustment.~~

38
39 **B. Overhead - Percentage Basis**

40
41 (1) Operator shall charge the Joint Account at the following rates:

42
43 (a) Development

44
45 _____ Percent (____%) of the cost of development of the Joint Property exclusive of costs
46 provided under Paragraph 10 of Section II and all salvage credits.

47
48 (b) Operating

49
50 _____ Percent (____%) of the cost of operating the Joint Property exclusive of costs provided
51 under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased
52 for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the
53 mineral interest in and to the Joint Property.

54
55 (2) Application of Overhead - Percentage Basis shall be as follows:

56
57 for the purpose of determining charges on a percentage basis under Paragraph 10 of this Section III,
58 development shall include all costs in connection with drilling, re-drilling, deepening, or any remedial
59 operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing
60 interval on the Joint Property, also, preliminary expenditures necessary in preparation for drilling and
61 expenditures incurred in abandoning when the well is not completed as a producer, and original cost of
62 construction or installation of fixed assets, the expansion of fixed assets and any other project clearly
63 discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other
64 costs shall be considered as operating.

65
66 **2. Overhead - Major Construction**

67
68 To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of
69 fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the
70 Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint

1 Account for overhead based on the following rates for any Major Construction project in excess of \$ 50,000.00

2
3 A. 4.0 % of first \$100,000 or total cost if less, plus

4
5 B. 3.0 % of costs in excess of \$100,000 but less than \$1,000,000, plus

6
7 C. 1.0 % of costs in excess of \$1,000,000.

8
9 Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single
10 project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be
11 excluded.

12
13 **A. Catastrophe Overhead**

14
15 To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due
16 to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophe as agreed to by the Parties, which are
17 necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the
18 expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account
19 for overhead based on the following rates:

20
21 A. _____ % of total costs through \$100,000, plus

22
23 B. _____ % of total costs in excess of \$100,000 but less than \$1,000,000, plus

24
25 C. _____ % of total costs in excess of \$1,000,000.

26
27 Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead
28 provisions of this Section III shall apply.

29
30 **4. Amendment of Rates**

31
32 The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement
33 between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

34
35
36 **IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

37
38 Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material
39 movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at
40 Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or
41 surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to
42 outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition
43 A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

44
45 **1. Purchases**

46
47 Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of
48 Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account
49 when adjustment has been received by the Operator.

50
51 **2. Transfers and Dispositions**

52
53 Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator,
54 unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

55
56 **A. New Material (Condition A)**

57
58 **(1) Tubular Goods Other than Line Pipe**

59
60 (a) Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill
61 published carload base prices effective as of date of movement plus transportation cost using the 80,000
62 pound carload weight basis to the railway receiving point nearest the Joint Property for which
63 published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound
64 or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio
65 and casing from Youngstown, Ohio.

66
67 (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus
68 transportation cost from that mill to the railway receiving point nearest the Joint Property as provided
69 above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000
70

- 1 pound Oil Field Haulers Association interstate truck rate shall be used.
2
3 (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston,
4 Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate,
5 to the railway receiving point nearest the Joint Property.
6
7 (d) Macaroni tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock prices
8 f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate
9 per weight of tubing transferred, to the railway receiving point nearest the Joint Property.
10
11 (2) Line Pipe
12
13 (a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or
14 more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above.
15 Freight charges shall be calculated from Lorain, Ohio.
16
17 (b) Line Pipe movements (except size 24 inch OD) and larger with walls 3/4 inch and over) less than 30,000
18 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment,
19 ~~plus the percent most recently recommended by COPAS~~
20 ~~plus 20 percent~~, plus transportation costs based on freight rates as set forth under provisions of tubular
21 goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain,
22 Ohio.
23 (c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of
24 manufacture at current new published prices plus transportation cost to the railway receiving point
25 nearest the Joint Property.
26
27 (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall
28 be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at
29 prices agreed to by the Parties.
30
31 (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable
32 supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the
33 railway receiving point nearest the Joint Property.
34
35 (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current
36 new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or
37 point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint
38 Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).
39
40 B. Good Used Material (Condition B)
41
42 Material in sound and serviceable condition and suitable for reuse without reconditioning:
43
44 (1) Material moved to the Joint Property
45
46 At seventy-five percent (75%) of current new price, as determined by Paragraph A.
47
48 (2) Material used on and moved from the Joint Property
49
50 (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was
51 originally charged to the Joint Account as new Material or
52
53 (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was
54 originally charged to the Joint Account as used Material
55
56 (3) Material not used on and moved from the Joint Property
57
58 At seventy-five percent (75%) of current new price as determined by Paragraph A.
59
60 The cost of reconditioning, if any, shall be absorbed by the transferring property.
61
62 C. Other Used Material
63
64 (1) Condition C
65
66 Material which is not in sound and serviceable condition and not suitable for its original function until
67 after reconditioning shall be priced at fifty percent (50%) of current new price as determined by
68 Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition
69 C value plus cost of reconditioning does not exceed Condition B value.
70

1 (2) Condition D

2
3 Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose
4 shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material
5 under procedures normally used by Operator without prior approval of Non-Operators.

6
7 (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe
8 of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be
9 priced at used line pipe prices.

10
11 (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g.
12 power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe.
13 Upset tubular goods shall be priced on a non upset basis.

14
15 (3) Condition E

16
17 Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under
18 procedures normally utilized by Operator without prior approval of Non-Operators.

19
20 D. Obsolete Material

21
22 Material which is serviceable and usable for its original function but condition and/or value of such Material
23 is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by
24 the Parties. Such price should result in the Joint Account being charged with the value of the service
25 rendered by such Material.

26
27 E. Pricing Conditions

28
29 (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢)
30 per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs
31 sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year
32 following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in
33 Section III, Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and
34 shall be the rate in effect until the first day of April next year. Such rate shall be published each year
35 by the Council of Petroleum Accountants Societies.

36
37 (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down
38 price of new Material.

39
40 3. Premium Prices

41
42 Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other
43 unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required
44 Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it
45 to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing
46 Non-Operators for such Material. ~~Each Non-Operator shall have the right, by so electing and notifying Operator within~~
47 ~~ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use~~
48 ~~and acceptable to Operator.~~

49
50 4. Warranty of Material Furnished By Operator

51
52 Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint
53 Account until adjustment has been received by Operator from the manufacturers or their agents.

54
55
56 V. INVENTORIES

57
58 The Operator shall maintain detailed records of Controllable Material.

59
60 1. Periodic Inventories, Notice and Representation

61
62 At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice
63 of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that
64 Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an
65 inventory shall bind Non-Operators to accept the inventory taken by Operator.

66
67 2. Reconciliation and Adjustment of Inventories

68
69 Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six
70 months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for

1 overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70

3. **Special Inventories**

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. **Expense of Conducting Inventories**

A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.

B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED SEPTEMBER 1, 2005 BY AND BETWEEN CHESAPEAKE OPERATING INC., UNDER CONTRACT TO CHESAPEAKE LIMITED PARTNERSHIP AND CHESAPEAKE PERMIAN LIMITED PARTNERSHIP, AS OPERATOR AND _____, AS NON-OPERATOR

1. Operator shall procure and maintain, at all times while conducting operations under this Agreement, the following insurance coverages with limits not less than those specified below:

A.	Worker's Compensation	Statutory
	Employer's Liability	\$100,000 each accident
B.	Comprehensive General Liability including:	
	(a) property damage and bodily injury liability including, but not limited to, losses resulting from explosion, collapse, underground damage; and	
	(b) contractual liability assumed under this Agreement.	\$1,000,000 Combined single limit
C.	Comprehensive Automobile Liability covering owned, non-owned and hired vehicles.	\$1,000,000 Combined single limit
D.	Umbrella Liability in excess of A (except Worker's Compensation), B, and C above.	\$20,000,000 Combined single limit
E.	Cost of Well Control and Operator's Extra Expense, including Care, Well Control Custody, and Control Coverage	\$5,000,000 OEE and \$250,000 CCC

2. The insurance described in 1. above shall be carried at the joint expense of the parties hereto and all premiums and other costs and expenses related thereto shall be charged to the Joint Account in accordance with the Accounting Procedure attached as Exhibit "C" to this Agreement, unless prior to spud a Non-Operator who desires to provide its own insurance provides Operator with a certificate of insurance evidencing such individual coverage.

3. Operator shall use every reasonable effort to have its contractors and subcontractors comply with applicable Worker's Compensation laws, rules and regulations and carry such insurance as Operator may deem necessary.

4. Operator shall not be liable to Non-Operator for loss suffered because of insufficiency of the insurance procured and maintained for the Joint Account nor shall Operator be liable to Non-Operator for any loss occurring by reason of Operator's inability to procure or maintain the insurance provided for herein. If at any time during the term of this Agreement, Operator is unable to procure or maintain said insurance, Operator shall promptly so notify Non-Operator in writing.

5. In the event of loss not covered by the insurance provided for herein, such loss shall be charged to the Joint Account and borne by the parties in accordance with their respective percentage of participation as determined by this Agreement.

6. Any party hereto may individually and at its own expense procure such additional insurance as it desires; provided, however, such party shall provide Operator with a certificate of insurance evidencing such coverage before spud of the well and such coverage includes waivers by the insurer of all right of subrogation in favor of the other parties.

EXHIBIT "G"

Inclusion of Pre-Existing Non-Consent Well Included in the Unit

It is anticipated that several wells shall be included in the proposed Trinity Burrus Abo Unit that are subject to outstanding fees and costs incurred by the respective owners thereof following elections to go non-consent as to the initial drilling and completions prior to inclusion into the Unit. Revenues and costs charged to these wells for recovery of such outstanding account balance after inclusion in the Unit shall be as follows:

- 1) The Unit Operator shall render a statement to the operator/owner of the respective well(s) as to the outstanding non-consent balance detailing all non-consent costs, associated penalties and revenues as of the date of the Unitization Order.
- 2) A copy of this statement shall be forwarded to non-consent participants in the Unit.
- 3) After the date of Unitization, unit production and costs shall be allocated to each tract which contains a well with a non-consent balance based on such tract's tract participation factor. Unit costs shall be subject to the non-consent penalties in accordance with the terms of the applicable original agreements, but shall be capped by the maximum 200% penalty allowed under New Mexico law for penalties pertaining to unit costs. In such a manner, each outstanding arrearage shall be recovered.

EXHIBIT "H"

PRE-UNITIZATION EXPENSES

Pre-Unitization Expenses shall include, but not necessarily be limited to, the following categories:

- 1) Pre-production and printing expenses related to unit agreements, engineering reports, legal opinions, operation agreements, and all other documents and instruments necessary for the formation of the unit.
- 2) Postage for all mailings to involved working interest and mineral interest owners.
- 3) Recording fees, where applicable, for unitization agreements, ratifications, certificates, and other instruments that are required to be recorded in various places.
- 4) Actual expenses incurred by personnel directly involved in the formation of the Unit.
- 5) Telephone expenses that are directly concerning approval of mineral estate and working interest owners.
- 6) Cost of rental of meeting rooms for Unit Committees when conducted outside the office of the working interest owners.
- 7) Salaries of operators, employees, outside legal counsel necessary to present the Application for Unitization to various governmental agencies having jurisdiction over these matters.
- 8) Cost of engineering, contract land work, which may include curative work and any other items necessary to determine the feasibility of the Unit. In addition, expenses incurred for original title opinions, supplemental title opinions, and updates of title work as deemed necessary.
- 9) All costs involved in well testing expense for existing wells to establish the value of these wells, consulting fees attributed directly to such testing, and other expenditures necessary as a prelude to the formation of the Unit prior to the Effective Date of the Unit. The working interest owners may limit this amount of money by mutual agreement.
- 10) Attorney's fees and other legal expenses incurred in connection with formation of the Unit.
- 11) Any extraordinary costs not included in any of the above categories when authorized by the working interest owners by mutual agreement.
- 12) Acquisition of any leasehold or equipment for the specific account of any working interest owner prior to the formation of the Unit shall not be charged as a Pre-Unitization Expense, and any costs directly attributed to such acquisition for the benefit of the specific working interest owner shall also be excluded from the category of Pre-Unitization Expense.