

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL
(Second Amendment to Unit Agreement)

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO


Raptor Natural Pipeline LLC
Second Amendment to the Unit Agreement
For the Operation of the
GRAMA RIDGE-MORROW UNIT AREA
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the Second Amendment to the Unit Agreement for the Operation of the Grama Ridge-Morrow Unit Area that is described within the referenced Agreement, dated **May 23, 2001**, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the Second Amendment to the Unit Agreement; provided, however, that such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Second Amendment, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this **19TH** day of **AUGUST** 2002.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

28086

SECOND AMENDMENT TO UNIT AGREEMENT
FOR THE OPERATION OF THE GRAMA
RIDGE-MORROW UNIT AREA
LEA COUNTY, NEW MEXICO

THIS SECOND AMENDMENT is made this 23rd day of May, 2001, by Raptor Natural Pipeline LLC.

PREMISES

1. As of April 25, 1973, the Unit Agreement for the Operation of the Grama Ridge-Morrow Unit Area ("Unit Agreement") was entered into by and between Llano, Inc. as unit operator and as a working interest owner and by Gulf Oil Corporation and Texaco Inc. as record title owners of oil and gas leases embracing lands in the unit area, which Unit Agreement was approved by the New Mexico Commissioner of Public Lands ("Commissioner") on August 27, 1973.

2. As of September 1, 1976, the Unit Agreement was duly amended ("First Amendment") by the parties thereto. The Commissioner approved the First Amendment on January 26, 1977. (Unless otherwise indicated, "Unit Agreement" hereinafter refers to the Unit Agreement as amended by the First Amendment.)

3. The unit area has continuously been used, since its creation to the time of this Second Amendment, for injection, storage and withdrawal of extraneous gas.

4. LG&E Natural Pipeline LLC is the successor in interest to Llano, Inc.

5. Effective December 1, 2000, LG&E Natural Pipeline LLC was acquired by Conoco Inc. Subsequently, the name of LG&E Natural Pipeline LLC was changed to Raptor Natural Pipeline LLC (hereinafter, "Raptor").

6. The Commissioner cancelled two oil and gas leases formerly committed to the Unit Agreement for non-payment of rentals. The Commissioner cancelled state lease no. K-3592-1, effective on January 13, 1999; and the Commissioner cancelled state lease no. E-7574-1, effective on February 4, 1999.

7. State lease no. K-3592-1 covered the N/2 of Section 34-21S-34E, comprising 320 acres more or less ("Section 34 Lands"). State lease no. E-7574-1 covered the N/2NE1/4, the SE1/4NE1/4, the W/2 and the SE1/4 of 33-21S-34E, comprising 600 acres more or less ("Section 33 Lands").

8. The Commissioner has issued two new state oil and gas leases covering the Section 33 Lands and the Section 34 Lands. On February 1, 2000, the Commissioner issued state oil and gas lease no. VO-5683, covering the Section 34 Lands; on January 1, 2000, the Commissioner issued VO-5682, covering the Section 33 Lands.

9. The Commissioner and Raptor agree that the Unit Agreement is unique and that it, among other things, conveys to the unit operator a right to inject, withdraw and store extraneous gas and that this right is in the nature of an easement that exists independently of the oil and gas leases that were initially unitized under the Unit Agreement.

*

10. In a letter dated July 21, 2000, addressed to Mr. William Carr, counsel for Nearburg Exploration Company and Yates Petroleum Corporation, the Commissioner's counsel stated that VO-5682 and VO-5683 were subject to LG&E's valid and existing right to inject, withdraw and store gas pursuant to the Unit Agreement.

11. A dispute arose between the operator, the lessees and working interest owners under leases VO-5682 and VO-5683, and the Commissioner regarding each of their respective interests and rights under the Unit Agreement and said oil and gas leases.

12. The purpose of this Second Amendment is to resolve the dispute between the Commissioner and the operator and to clarify certain aspects of the Unit Agreement.

AMENDMENT

NOW, THEREFORE, in consideration of the foregoing Premises, the Unit Agreement is hereby amended as follows:

1. Section 1 of the Unit Agreement shall remain the same, except that the legal description set forth on page 3 of the First Amendment shall be replaced by the following legal description:

Township 21 South, Range 34 East, N.M.P.M.

Section 33 – All

Section 34 – All

Township 22 South, Range 34 East, N.M.P.M.

Section 3 – All

Section 4 – Lot 1, Lot 2, S1/2NE1/4

containing 2,089.81 acres, more or less.

2. Section 10 of the Unit Agreement is entirely replaced by the following:

10. TRACT PARTICIPATION: For purposes of this agreement “extraneous gas” shall mean the total amount of gas from sources outside the unitized formation injected into the reservoir less the amount that has been withdrawn. Any gas produced in excess of the extraneous gas injected prior to and after the effective date hereof shall be considered as “indigenous gas”. Indigenous gas may only be produced from the unitized formation in accordance with an oil and gas lease that is unitized under the Unit Agreement. Subject to Section 5 of this Second Amendment, all such indigenous gas shall be apportioned to the tracts within the unit area in the proportions set forth on Exhibit “B” attached hereto, which is based on the percentage that the acreage covered by each tract bears to the total acreage within the unit area. Royalties shall be paid to the State of New Mexico under the terms and conditions provided in the respective leases, if any, on all indigenous gas allocated to such tracts. However, where such production of indigenous gas is allocated to state lands within the unit area (excluding the state lands located in Section 4-22S-34E) that are not subject to an oil and gas lease unitized under the Unit Agreement, the operator shall pay the state

for 100% of the indigenous gas produced and allocated to such unleased lands at the prevailing market price for gas of like quality, or on such other terms as may be agreed to by the Commissioner and the operator in writing.

3. Section 11(A) of the Unit Agreement shall remain the same, except that the last paragraph of Section 11(A), as set forth on pages 7 and 8 of the First Amendment, is entirely replaced by the following new paragraph:

Operator shall pay royalties under the terms and conditions provided in the respective oil and gas leases, if any, on $\frac{3}{4}$ of all liquid hydrocarbons which are separated from the gas withdrawn and allocated to the respective tracts (excluding state lands located in Section 4-22S-R34E) in accordance with the percentages of participation set forth on Exhibit "B". However, where such production of liquid hydrocarbons is allocated to state lands within the unit area that are not then covered by a state oil and gas lease (excluding state lands located in Section 4-22S-34E) unitized under the Unit Agreement, the operator shall compensate the state for 100% of the liquid hydrocarbons produced at the prevailing market price in Lea County, New Mexico, for liquid hydrocarbons of like quality, or upon such other terms as the Commissioner and the operator may agree to in writing. In addition, should the total cumulative British Thermal Units in the gas withdrawn exceed the total British Thermal Units in the gas injected ("BTU Enrichment"), then the operator shall pay the State of New Mexico royalties on the value of the BTU Enrichment based on the prevailing market price in Lea County for gas of like quality at the royalty rate provided in the applicable oil and gas lease or leases, if any; provided that if no lease unitized under the Unit Agreement is applicable, then the operator shall compensate the state for 100% of the BTU Enrichment that is allocated to such lands based on the prevailing market price in Lea County for gas of like quality. Payment for BTU Enrichment as set forth herein shall be made on an annual basis as determined by the cumulative chromatograph analyses.

4. The following new Section 25 is added to the Unit Agreement:

25. TERMINATION OF UNITIZED OIL AND GAS LEASES:

A. As to the lands within the Commissioner's jurisdiction, and notwithstanding any other provision of this Unit Agreement, the rights of the unit operator to inject, withdraw and store extraneous gas under this Unit Agreement shall



survive the cancellation, forfeiture or any other termination of any or all of the state oil and gas leases that are now or may become unitized hereunder. The existence, duration and nature of such injection, withdrawal and storage rights shall be determined strictly in accordance with the Unit Agreement, as amended hereby, and shall not depend on or arise under any state oil and gas lease.

B. If a state oil and gas lease encumbering state lands within the unit area terminates for any reason, nothing in this Unit Agreement shall preclude the Commissioner from issuing a new oil and gas lease to cover the same lands. However, so long as the Unit Agreement remains in effect, such new oil and gas leases shall be subject to the Unit Operator's valid, pre-existing rights to inject, withdraw and store extraneous gas pursuant to the Unit Agreement, as amended hereby.

5. In approving this Second Amendment, the Commissioner acknowledges that the federal government owns all of the oil and gas and potash that may underlie Section 4, Township 22 South, Range 34 East, N.M.P.M., of which the surface of Lot 1, Lot 2, S/2 NE/4 (NE/4 equivalent) is owned by the State of New Mexico. Therefore, and notwithstanding any other provision in the Unit Agreement, including this Second Amendment, the State shall not be entitled to compensation for indigenous gas, liquid hydrocarbons or BTU Enrichment that may be produced from Section 4, Township 22 South, Range 34 East, N.M.P.M. Furthermore, the state lands located in said Section 4 shall not be considered to determine tract participation under Section 10 of the Unit Agreement, but shall be considered only for purposes of calculating the annual storage fee and the injection and withdrawal fees under Section 11 (B) payable to the State by the unit operator.

6. Exhibits A, B and C to the Unit Agreement are amended in their entirety as shown on Exhibits A, B and C to this Second Amendment, respectively.

7. This Second Amendment shall become effective as to the state upon approval of the Commissioner.

8. Raptor is executing this Second Amendment after consultation with its counsel and the Commissioner. No presumption against either the unit operator or the Commissioner shall be entertained in the event of an ambiguity in this Second

Amendment. The Second Amendment is fully integrated and shall not be modified by any prior communication, written or oral.

9. Except as amended by this Second Amendment, the Unit Agreement shall remain unchanged.

10. The Premises above are a material part of this Second Amendment.

11. This Second Amendment may be executed in three or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned Unit Operator has caused this Second Amendment to be executed as of the date set opposite the signature of its authorized agent.

RAPTOR NATURAL PIPELINE LLC

By: Barbara A. Sheedlo
Name: Barbara A. Sheedlo
Title: Vice President

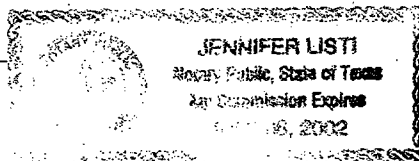
Dated: May 23, 2001

ACKNOWLEDGEMENT

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

This instrument was acknowledged before me on May 23, 2001, by Barbara A. Sheedlo, Vice President of Raptor Natural Pipeline LLC, a New Mexico limited liability company.

Jennifer Listi
Notary Public



My Commission Expires:

7-6-2002

SECOND AMENDMENT TO THE UNIT AGREEMENT
FOR THE OPERATION OF THE GRAMA RIDGE-MORROW
UNIT AREA, LEA COUNTY, NEW MEXICO

Exhibit A

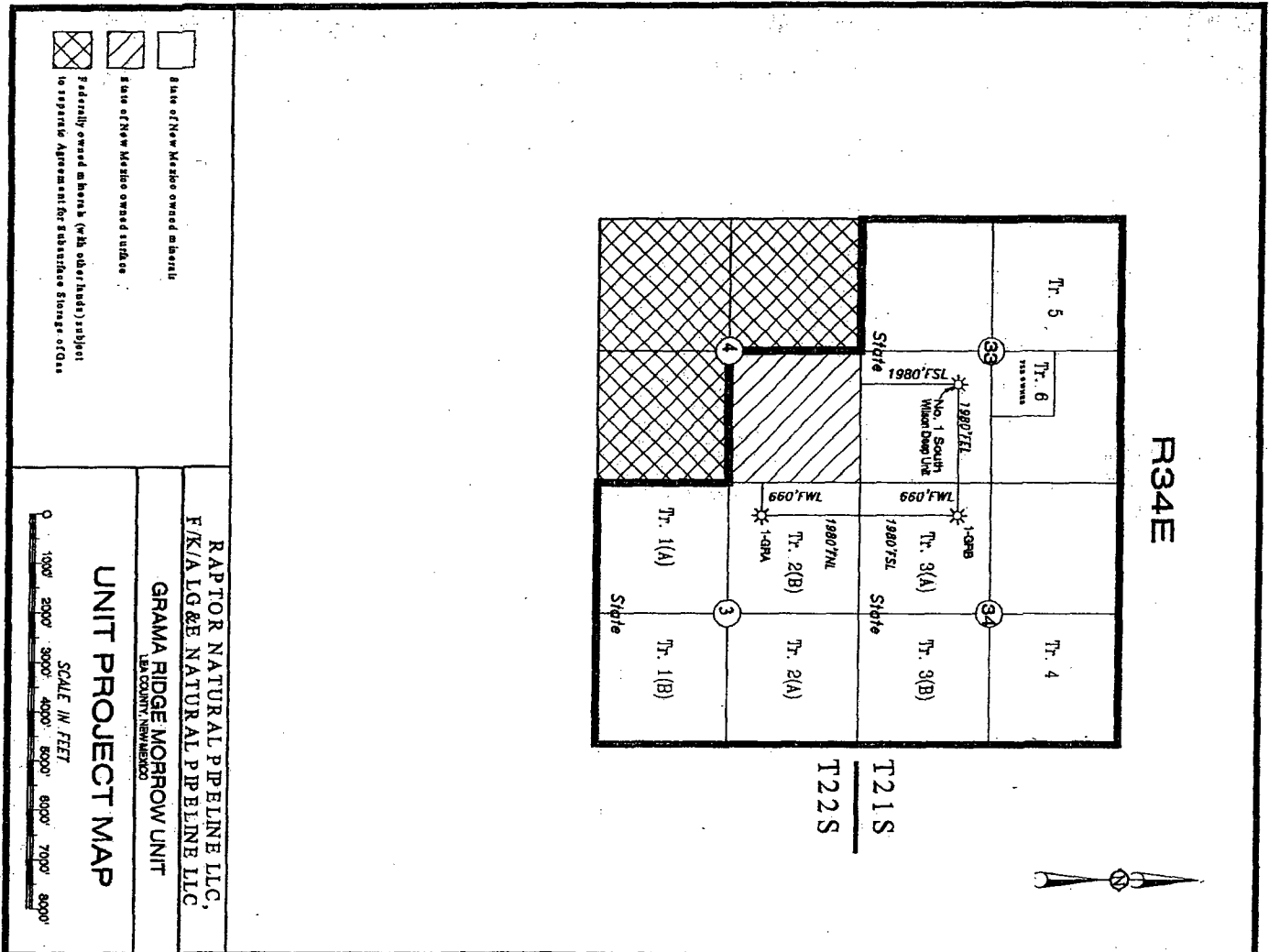


EXHIBIT "B"
GRAMA RIDGE MORROW UNIT AGREEMENT

Tract No.	Description	Lease No.	Basic Royalty	Lessee of Record	Working Int. Owner and Percentage	Percentage Tract Participation
1(A)	SW $\frac{1}{4}$ Sec. 3, T. 22 S., R. 34 E.	B-158-19	12 $\frac{1}{2}$ %	Apache Corp.	Raptor Natural Pipeline LLC 100%	8.30238
1(B)	SE $\frac{1}{4}$ Sec. 3, T. 22 S., R. 34 E.	B-158-19	12 $\frac{1}{2}$ %	Apache Corp.	Chaparral Energy, Inc. 100%	8.30237
2(A)	Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$ (NE $\frac{1}{4}$) Sec. 3, T. 22 S., R. 34 E.	E-9141-2	12 $\frac{1}{2}$ %	Apache Corp.	Chaparral Energy, Inc. 100%	8.50526
2(B)	Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ (NW $\frac{1}{4}$) Sec. 3, T. 22 S., R. 34 E.	E-9141-2	12 $\frac{1}{2}$ %	Apache Corp.	Raptor Natural Pipeline LLC 100%	8.47101
3(A)	SW $\frac{1}{4}$ Sec. 34, T. 21 S., R. 34 E	E-9659	12 $\frac{1}{2}$ %	Chevron USA, Inc.	Raptor Natural Pipeline LLC 100%	8.30238
3(B)	SE $\frac{1}{4}$ Sec. 34, T. 21 S., R. 34 E	E-9659	12 $\frac{1}{2}$ %	Chevron USA, Inc.	EOG Resources Inc. 100%	8.30237
4.	N $\frac{1}{2}$ Sec. 34, T. 21 S., R. 34 E.	V-5683	16.66%	Great Western Drilling Co.	Great Western Drilling Co. 25%, Continental Land and Fur Co. 18.75%, Nearburg	16.60475

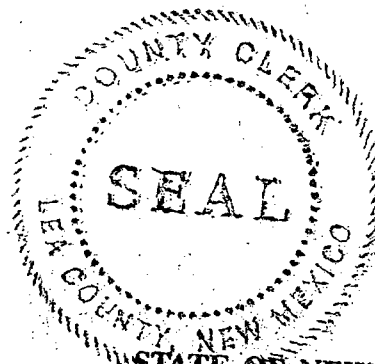
EXHIBIT "B"
GRAMA RIDGE MORROW UNIT AGREEMENT

Tract No.	Description	Lease No.	Basic Royalty	Lessee of Record	Working Int. Owner and Percentage	Percentage Tract Participation
5.	S $\frac{1}{2}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 33, T. 21 S., R. 34 E.	V-5682-116.66%		Natural Pipeline, LLC 100%	Raptor Natural Pipeline, LLC	31.13389
					Exploration Co. LLC 56.25%	
6.	SW $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 33, T. 21 S., R. 34 E	Fee	The Merchant Livestock Co. 67.63% of 12 $\frac{1}{2}$ %; Don E. Gridley and wife and John E. Bosserman and wife - 32.37% of 12 $\frac{1}{2}$ %.	Wilson Oil Co. and Francis P. Bolton, dba Wyoming Oil	Raptor Natural Pipeline, LLC 67.63%; Don E. Gridley, <i>et al.</i> (unleased) 32.37%	2.07559
Total						100.0000

28086

EXHIBIT "C"

Description	Surface Ownership	Acreage	Rental
W $\frac{1}{2}$ E $\frac{1}{2}$ Section 33, S $\frac{1}{2}$ S $\frac{1}{2}$ Section 34, Township 21 South, Range 34 East	The Merchant Livestock Company	320.00	\$ 320.00
W $\frac{1}{2}$, E $\frac{1}{2}$ E $\frac{1}{2}$ Section 33	State of New Mexico	480.00	
N $\frac{1}{2}$ N $\frac{1}{2}$ S $\frac{1}{2}$ Section 34, Township 21 South, Range 34 East	State of New Mexico	480.00	960.00
All Section 3, Township 22 South, Range 34 East	State of New Mexico	647.16	647.16
Lots 1, 2, S/2 NE/4 Section 4, Township 22 South, Range 34 East	State of New Mexico	162.65	<u>162.65</u>
Total	The Merchant Livestock Company State of New Mexico	320.00 1,769.81	\$320.00 \$1,769.81



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

at 11:24 o'clock A M
and recorded in Book 1176
Page 403
Melinda Hughes, Lea County Clerk
By [Signature] Deputy