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OIL CONSERVATION DIV.

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UNIT OPERATING AGREEMENT
WEST LOVINGTON STRAWN UNIT
LEA COUNTY, NEW MEXICO

Article 10.4. Investment Adjustments.

Paragraph 2 (revised):

All wells completed in the Strawn formation within the Unit Area shall be Unit wells. If a well becoming a Unit well by virtue of expansion of the Unit Area has not reached payout status, the owner or operator of such well shall have the option, on prior written notification to Unit Operator, to (1) receive immediate payment from the Unit sufficient to reimburse one hundred percent of the costs of drilling, completion and equipping the well ("Payout Costs" or "Payout") or (2) continue as operator of the well and recoup an amount in excess of one hundred percent of Payout Costs proportionate to the ability of the well to produce for six consecutive months as measured against the top pool allowable of 250 BOPD (the "Payout Multiple"). In no event shall the Payout Multiple exceed two hundred percent of actual Payout Costs. For the Snyder "EC" Com well [location], the Payout Multiple shall be 116 percent; For the Snyder "C" No. 4 well, [location] the Payout Multiple shall be 200 percent. The terms hereof shall be made applicable to the Beadle No. 1 well [location] and the Payout Multiple for said well determined accordingly, regardless of the actual effective date of the unit expansion.

From the effective date of unitization or expansion of the Unit Area to the time the well reaches its Payout Multiple, Unitized Substances will be apportioned and allocated to all of the Qualified Tracts in the Unit as then constituted in accordance with the terms of Section 15 A of the Unit Agreement. Provided, however, that the owner or operator of the well which has not reached its Payout Multiple shall be entitled to all of the proceeds from production attributable to such Tract(s) comprising the well's proration unit until the well has reached its Payout Multiple. At such time as the well reaches its Payout Multiple, the Unit Operator shall immediately be designated operator of such well. Each of the parties shall have the right to

audit the account for such well for any period, consistent with the terms of
Article 5.2.3.