

**SECTION 13. TRACT PARTICIPATION (EXPANDED UNIT).** The percentages of Tract Participation for each Tract within the Unit Area have been calculated and determined in accordance with the following formulas:

1. October 1, 1995 - October 31, 1997 (Original Unit).

Tract Participations for Tracts 1-11 (the original Unit Area) are those calculated under the Unit Agreement, as approved and amended by Oil Conservation Division Order No. R-10449.

2. November 1, 1997 - March 31, 1999 (First Expansion).

Tract Participations for this period are those approved by Oil Conservation Division Order No. R-10864, as follows:

Tracts 1-11:	95.2797924%
Tract 12:	2.3161519%
Tract 13:	2.1147842%
Tract 14:	0.2892715%

Production allocated to Tracts 1-11 was apportioned among said Tracts in the proportions set forth in Oil Conservation Division Order No. R-10449.

**There shall be no retroactive changes in Tract Participations or in allocation of production of Unitized Substances for any period prior to April 1, 1999.**

3. Effective April 1, 1999 (Second Expansion).

(a) Tract Participation Percentage =  $(80\% \times \text{HPV}) + (20\% \times \text{WF})$ , adjusted as described in subparagraph (c) below.

HPV = Hydrocarbon Pore Volume: Determined by volumetric original oil in place in the Unitized Formation under each Tract divided by volumetric original oil in place in the Unitized Formation under the expanded Unit Area.

Original oil in place is calculated from hydrocarbon pore volume using 100% of the density porosity electric log response with a 3% porosity cutoff, with an  $R_w = 0.48$ .

WF = Wellbore Factor: Determined by (i) the number of wells on a Tract, (ii) multiplied by the maximum average daily producing rate during a consecutive six (6) month producing period divided by the allowable for the West Lovington-Strawn Pool (250 BOPD/well), (iii)

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divided by the cumulative sum of all Well Factors in the Unit Area.

Tracts 1-11 shall have a cumulative Wellbore Factor of 11 assigned thereto.

(b) Tract Participations for Tracts 12-14 shall be calculated under the subparagraph (a) formula for the period commencing April 1, 1999.

(c) After the calculations in subparagraph (a) are made, Tract 14's Tract Participation shall be increased to 3% by means of the other Tracts proportionately contributing a portion of their participation percentages as necessary for Tract 14 to achieve said 3% interest. The collective contribution of Tracts 1-11 shall be 82.3271757% of the amount necessary to increase Tract 14's interest to 3%. The individual contribution of each of Tracts 1-11 shall be in the proportions set forth in Oil Conservation Division Order No. R-10449.

(d) After the foregoing numbers are calculated, Tracts 1-11 shall be allocated 81.1529828% of Unitized Substances produced from the Unit Area, as expanded, which shall be apportioned among said Tracts in the proportions set forth in Oil Conservation Division Order No. R-10449.

**The participations for each Tract in the expanded Unit Area are set forth in Exhibit "C" (Second Revision) attached hereto.**

The Tract Participation percentages have been calculated upon the basis of all Tracts within the Unit Area, as expanded, being committed to this Agreement as of the effective date of unit expansion (being April 1, 1999), and such Tract Participations shall govern the allocation of Unitized Substances produced from the Unit Area after April 1, 1999; subject, however, to any revisions of the Unit Area and Exhibit "C" (Second Revision) in accordance with the provisions hereof.

If, subsequent to the effective date of unit expansion, any additional tract becomes committed hereto under the provisions of Section 4 (Expansion), Unit Operator shall revise Exhibits "B" and "C," or the latest revisions thereof, to show the new percentage participations of the then committed tracts, which revised exhibits shall, upon their approval by the Commissioner, Authorized Officer, and Division, supersede, as of their effective date, the last previously effective Exhibits "B" and "C." In any revision of Exhibit "C," the revised percentage participations of the respective tracts listed in the previously effective Exhibit "C" shall remain in the same ratio one to the other.