

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

AMENDMENT OF UNIT AGREEMENT

GRAMA RIDGE-MORROW UNIT

LEA COUNTY, NEW MEXICO

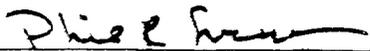
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Amendment of Unit Agreement for the development and operation of the Grama Ridge-Morrow Unit Area, Lea County, New Mexico for the purpose of expanding the Unit Area.

The attached Amendment of Unit Agreement was entered into as of September 1, 1976 by and between the parties to the original Unit Agreement for the purpose of expanding the unit area to include all of Section 33, Township 21 South, Range 34 East, N.M.P.M. The Amendment also ratifies and confirms the Original Unit Agreement as amended and upon examination of said Amendment, the Commissioner finds:

- (a) That such Amendment to this 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 amended 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 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Amendment, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform 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 26th day of January, 1977.


COMMISSIONER OF PUBLIC LANDS
Of the State of New Mexico

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

RECEIVED
DEC 17 8 32 AM '76
STATE LAND OFFICE
SANTA FE, N.M.

THIS AMENDMENT entered into as of the first day of September, 1976, by and between the parties subscribing, ratifying or consenting hereto and herein referred to as the "parties hereto".

WHEREAS, as of April 25, 1973 the Unit Agreement for the Operation of the Grama Ridge-Morrow Unit Area 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 said agreement was approved by the Commissioner of Public Lands of the State of New Mexico, herein referred to as "Commissioner", on August 27, 1973, and

WHEREAS, the original unit agreement covered all of Section 34, Township 21 South, Range 34 East and all of Section 3, Township 22 South, Range 34 East and was entered into for the purpose of formulating and putting into effect a secondary recovery and gas storage project as to the Morrow formation which was unitized under said agreement and which is specifically defined in Section 3 thereof, and

WHEREAS, the unit operator has injected gas into wells located on the unit area which has resulted in a pressure increase in the South Wilson Deep Unit No. 1 gas well producing from the unitized formation located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 33, Township 21 South, Range 34 East and has likewise resulted in an increase in pressure in the Llano Federal GR-4 No. 1 Morrow gas well located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 4, Township 22 South, Range 34 East and such communication indicates that said wells are located in the same reservoir as the two gas wells within the unit area which wells

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have been used for the injection and withdrawal of gas pursuant to the terms of said unit agreement, and

WHEREAS, it now appears that the Morrow gas reservoir underlies Sections 33 and 34, Township 21 South, Range 34 East and Sections 3 and 4, Township 22 South, Range 34 East, and

WHEREAS, all of Section 33 is owned by the State of New Mexico except the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of said section which is fee land and the minerals underlying said 40 acres, subject to the existing lease, are owned 32.37% by Don E. Gridley and wife, Alice F. Gridley, John E. Bosserman and wife, Carol Jean Bosserman and 67.63% by The Merchant Livestock Company, and

WHEREAS, all of Section 4, Township 22 South, Range 34 East is federal land and Llano, Inc. has entered into an agreement with the United States, acting by and through the Secretary of the Interior, effective as of November 1, 1975 for the storage of gas in the Morrow formation which is unitized under the terms of said unit agreement. Said gas storage agreement with the United States recognizes that the gas reservoir underlies the 4 sections hereinabove referred to and also provides that all injection and withdrawal fees payable to the United States shall be based upon 1/4 of all gas injected or withdrawn from the reservoir through any wells located on the 4 sections above referred to, and

WHEREAS, it is the purpose of this amendment to expand the unit area to include all of Section 33, Township 21 South, Range 34 East so that the unit agreement, taken into consideration with the gas storage agreement with the United States covering Section 4, will cover the entire reservoir, and

WHEREAS, the unit agreement recognized that there was still some primary gas and liquid hydrocarbons left in the unitized formation when the unit agreement was entered into and said agreement provided for the payment of royalty thereon on a monthly basis beginning in May, 1974 through February, 1979 and the unit operator has agreed to pay in full all royalty payments provided for in Exhibit "C"

attached to the unit agreement, as well as the royalty for the remaining 318,519 MCF of primary gas and the liquid hydrocarbons attributable thereto underlying said Section 33 (15/16 of which is to be allocated to Tract 5 and 1/16 to Tract 6 shown on Exhibit "B") so that Phase I provided for in Section 11(a) of the original agreement will no longer be applicable; and

WHEREAS, the parties are desirous of amending said unit agreement to provide for the same gas injection and withdrawal fees (on an average basis) as are provided under the terms of the gas storage agreement with the United States covering Section 4 as to 1/4 of the gas injected and withdrawn from said reservoir; subject, however, to the right of the unit operator to withdraw gas previously injected from extraneous sources up to and including August 31, 1976 amounting to 6,727,987 MCF at a pressure base of 15.025 psia without payment of withdrawal fees as to any portion thereof withdrawn prior to March 1, 1979.

NOW, THEREFORE, in consideration of the premises, the parties hereby mutually agree that the Unit Agreement for the Operation of the Grama Ridge-Morrow Unit Area shall be and is hereby amended as hereinafter set forth:

1. Section 1 of the unit agreement is amended as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

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
containing 1,927.16 acres more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said 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, percentage and kind of ownership of oil and gas interests

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in all lands in the unit area. 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 on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner.

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. Section 9 of the unit agreement is amended as follows:

9. PURPOSE OF UNIT AND PLAN OF OPERATION: It is recognized and agreed by the parties hereto that the unitized formation as to all of the lands subject to this agreement is reasonably proven to be productive of unitized substances or necessary for unit operations and that the object and purpose of this agreement is to formulate and put into effect a secondary recovery and gas storage project in order to effect the greatest economic recovery of unitized substances, prevent waste and conserve natural resources consistent with good engineering practices expected of a prudent operator. The parties hereto agree that the unit operator may, subject to the approval of a plan of operation by the Commissioner, inject gas produced from lands other than the unit area into the unitized formation through the following wells for secondary recovery and storage purposes:

Shell Oil Company State GRA Well No. 1 - SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 3
Township 22 South, Range 34 East (Llano, Inc. operator)

Shell State GRB Well No. - NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 34, Township 21
South, Range 34 East (Llano, Inc. operator)

South Wilson Deep Unit No. 1 well - NW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 33,
Township 21 South, Range 34 East (Llano, Inc. operator)

Llano Federal GR-4 No. 1 Morrow - SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 4
Township 22 South, Range 34 East (Llano, Inc. operator)

Unit operator shall furnish the Commissioner, between the first and twenty-fifth of each month, reports showing the amount of gas produced and injected into the unitized formation for the preceding month.

Unit operator shall have the right to rework or recondition the wells now located on the unit area or to drill additional wells to inject gas into or produce gas from the gas storage reservoir area to the extent that such work shall be approved by the Commissioner as necessary or incident to the rights granted to unit operator pursuant to this agreement. Unit operator shall conduct all operations hereunder in accordance with all applicable laws and regulations and shall comply with all the terms and conditions of the respective leases.

A plan of operation shall be filed with the Commissioner concurrently with the filing of this unit agreement for final approval. Said plan of operation and all revisions thereof shall be as complete and adequate as the Commissioner may determine to be necessary in connection with operations hereunder. Upon approval of this agreement and the aforementioned plan of operation by the Commissioner, said plan and all subsequently approved plans shall constitute the operating obligations of the unit operator under this agreement for the period specified in the plan. Thereafter, from time to time before the expiration of any existing plan, the unit operator shall submit for approval a plan for an additional specified period of operation. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation. The unit operator shall furnish to the Commissioner within 30 days from the expiration of each 6 month period, a report giving full factual information as to the manner in which the plan in effect for such period has been carried out.

If the unit operator should fail to comply with any approved plan of operation or supplement to or modification thereof, this

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agreement may be terminated by the Commissioner; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Section 7-11-14 N.M.S.A. 1953 of intention to cancel because of any alleged breach of said plan of operation and any decision entered therein shall be subject to appeal in the manner prescribed by Section 7-11-17 N.M.S.A. 1953; and provided, further, in any event unit operator shall be given a reasonable opportunity after a final determination within which to remedy said default, failing in which this agreement shall be terminated.

3. Section 10 of the unit agreement is amended as follows:

10. TRACT PARTICIPATION: For the purposes of this agreement "extraneous gas" shall mean the total amount of gas from other sources injected into the reservoir less the amount which has been withdrawn. Any gas produced in excess of the extraneous gas injected prior to or after the effective date hereof shall be considered as "indigenous gas". 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 at the rates provided in the respective leases on all indigenous gas allocated to such tracts.

4. Section 11 of the unit agreement shall be amended as follows:

11. GAS STORAGE -- STORAGE, INJECTION AND WITHDRAWAL FEES:

A. Gas Storage: It is contemplated that the extraneous gas which has been injected will be withdrawn from time to time. Unit operator shall be under no obligation to inject or withdraw any particular quantity of gas other than such as it in its sole discretion deems advisable. Unit operator shall install

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and at all times operate and maintain metering equipment and other facilities approved by the Commissioner so that an accurate cumulative account can be kept of the quantity of gas, as well as the total number of British Thermal Units in the gas, injected into the unitized formation through the existing wells. Operator shall also keep an accurate cumulative account of the total number of British Thermal Units in all gas withdrawn from the unitized formation.

Operator shall also install, operate and maintain at all times the necessary separation equipment to separate the gas from the liquid hydrocarbons produced in connection with the withdrawal of gas from the respective wells, as well as all other related equipment which may be required to transfer all liquids so separated.

Operator shall cause monthly analyses by chromatograph or other mutually acceptable method of all gas injected into or withdrawn from the reservoir in order to compute the net change in British Thermal Unit content.

Operator shall pay royalties at the rates provided in the respective leases on 3/4 of all liquid hydrocarbons which are separated from the gas withdrawn and allocated to the respective tracts in accordance with the percentages of participation set forth on Exhibit 'B'; provided, however, operator shall not be required to pay royalties on that portion of all liquid hydrocarbons which are separated from the first 319,519 MCF of gas withdrawn subsequent to the effective date of this amendment as payment for such liquid hydrocarbons has been included in the payment for the remaining primary gas underlying said Section 33 referred to in the preamble to this amendment. In addition, should the total cumulative British Thermal Units in the gas withdrawn exceed the total British Thermal Units in the gas injected, then operator shall pay royalties on said increase

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in British Thermal Units at the prevailing market price in Lea County, New Mexico for gas of like quality. Payment for British Thermal Unit enrichment as set forth herein shall be made on an annual basis as determined by the cumulative chromatograph analyses.

B. Storage, Injection and Withdrawal Fees: In addition to the rental provided in the leases covering the respective tracts, for each year after the effective date of this amendment, unit operator shall pay an annual storage fee of \$1.00 per acre for the number of surface acres owned by the respective surface owners as shown on Exhibit "C" attached hereto. Said storage fee shall be paid in advance during the month of September of each year.

As to all gas injected or withdrawn subsequent to the effective date of this amendment, unit operator shall pay to the State of New Mexico an injection fee equal to $47/64$ of \$.00625 per MCF and a withdrawal fee equal to $47/64$ of \$.00625 per MCF on all gas injected or withdrawn from the reservoir through any wells located on the unit area or on Section 4, Township 22 South, Range 34 East during each calendar month; provided, however, no withdrawal fees shall be required on 6,727,987 MCF at 15.025 psia for gas injected prior to the effective date of this amendment if said gas is withdrawn prior to March 1, 1979. $1/64$ of said injection and withdrawal fees on all of the gas shall be paid to Don E. Gridley and wife, Alice F. Gridley, John E. Bosserman and wife, Carol Jean Bosserman, and The Merchant Livestock Company in the proportions owned by said parties. All injection and withdrawal fees shall be paid during the month following the month in which injection or withdrawals are made

5. Section 16 of the unit agreement is amended as follows:

16. EFFECTIVE DATE AND TERM: This amendment shall become effective as of September 1, 1976 upon approval by the Commissioner

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and shall remain in effect so long as unitized substances are being produced from or stored within the unitized formation. The unit agreement may be terminated at any time by not less than seventy-five (75%) percent on an acreage basis of the owners of working interests signatory hereto with the approval of the Commissioner.

6. Section 22 of the unit agreement is amended as follows:

22. RE-NEGOTIATION OF INJECTION AND WITHDRAWAL FEES:

The injection and withdrawal fees provided for in Section 11 hereof shall be effective for a period of 5 years from the effective date of this amendment; provided, however, that during the 4th year of the first 5 year period and during the 4th year of each successive 5 year period this agreement is in force and effect said fees shall be subject to re-negotiation between the parties hereto so that said fees will be commensurate with fees being paid on similar projects, such re-negotiated rate to be in effect for the succeeding 5 year period. If the parties hereto are unable to agree to re-negotiate new fees 60 days prior to the expiration of the 4th year of any 5 year period, payment of the fees on the basis of prior rates shall continue and this agreement shall terminate upon expiration of not more than 3 years from the expiration of the preceding 5 year period. During said 3 year period the parties hereto may remove the metered and injected gas not previously withdrawn and equipment and facilities installed under this agreement, unless during such 3 year period the parties hereto agree upon a re-negotiated rate to be effective retroactively. Any gas or facilities not then removed by the termination date shall become the property of the State of New Mexico if it so elects.

7. COMMITMENT OF INTERESTS TO UNIT AND RATIFICATION OF

OTHER UNIT PROVISIONS: By the execution of this amendment, the parties hereto commit to the unit agreement their respective interests of whatsoever kind, nature or description in and to the unitized forma-

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tion underlying the unit area. Except as amended herein, all of the other terms and conditions of the original Unit Agreement for the Operation of the Grama Ridge-Morrow Unit Area shall remain in full force and effect and are ratified and confirmed by the parties or by those consenting hereto by separate instrument.

8. COUNTERPARTS: This amendment may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST:
Larry L. Davis
Secretary
Date: 12-16-76

LLANO, INC.
By *Donald L. Farley*
President
Address: P. O. Box 1320
Hobbs, New Mexico 88240

ATTEST:

Secretary
Date: _____

GULF OIL CORPORATION
By _____
President
Address: _____

ATTEST:

Secretary
Date: _____

TEXACO INC.
By _____
President
Address: _____

ATTEST:

Secretary
Date: _____

WILSON OIL COMPANY
By _____
President
Address: _____

tion underlying the unit area. Except as amended herein, all of the other terms and conditions of the original Unit Agreement for the Operation of the Grama Ridge-Morrow Unit Area shall remain in full force and effect and are ratified and confirmed by the parties or by those consenting hereto by separate instrument.

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IN WITNESS WHEREOF, the undersigned parties have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST:

Secretary
Date: _____

LLANO, INC.
By _____
President
Address: _____

ATTEST:
[Signature]
Asst. Secretary
Date: _____

GULF OIL CORPORATION
BY *[Signature]*
Attorney-in-fact
Address: PO Box 1150
Midland, Texas 79701



ATTEST:

Secretary
Date: _____

TEXACO INC.
By _____
President
Address: _____

ATTEST:

Secretary
Date: _____

WILSON OIL COMPANY
By _____
President
Address: _____

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IN WITNESS WHEREOF, the undersigned parties have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST:

LLANO, INC.

Secretary
Date: _____

By _____
President
Address: _____

ATTEST:

GULF OIL CORPORATION

Secretary
Date: _____

By _____
President
Address: _____

APPROVED:

TEXACO INC.

Terms: OK
Form: SP
Date: NOVEMBER 5, 1976

By A. F. Clarke
Attorney-in-fact
Address: Box 3109
Midland, Texas 79701

ATTEST:

WILSON OIL COMPANY

Secretary
Date: _____

By _____
President
Address: _____

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8. COUNTERPARTS: This amendment may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties have caused this agreement to be executed as of the respective dates set opposite their signatures.

ATTEST: LLANO, INC.
By _____
Secretary President
Date: _____ Address: _____

ATTEST: GULF OIL CORPORATION
By _____
Secretary President
Date: _____ Address: _____

ATTEST: TEXACO INC.
By _____
Secretary President
Date: _____ Address: _____

ATTEST: WILSON OIL COMPANY
By Francis Wilson
Secretary President
Date: 29 Nov 76 Address: 9 P. O. Box 1297
Greene, N. New Mexico 87515

Date: December 2, 1976

FRANCES P. BOLTON, dba WYOMING OIL COMPANY
Address: Frances P Bolton
810 Hanna Building
Cleveland, Ohio 44015
NEW MEXICO ELECTRIC SERVICE COMPANY

ATTEST:

By _____
President

Secretary

Address: _____

ATTEST:

TUCO, INC.

By _____
President

Secretary

Address: _____

STATE OF NEW MEXICO)
 : ss
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this _____ day of _____ 1976 by _____ President of Llanco, Inc., a New Mexico corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1976 by _____ of Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1976 by _____ of Texaco Inc, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

Date: _____

FRANCES P. BOLTON, dba WYOMING OIL
COMPANY
Address: _____

ATTEST:

NEW MEXICO ELECTRIC SERVICE COMPANY

Robert M. Wright
Secretary

By [Signature]
President

Address: P. O. Box 920
Hobbs, New Mexico 88240

ATTEST:

TUCO, INC.

Secretary

By _____
President

Address: _____

STATE OF NEW MEXICO)
: ss
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this 16
day of December 1976 by Donald L. Garey
President of Llano, Inc., a New Mexico corporation, on behalf of
said corporation.

My Commission Expires:
3-20-80

Anna L. Clark
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____
day of _____ 1976 by _____
of Gulf Oil Corporation, a Pennsylvania corpora-
tion, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____
day of _____ 1976 by _____
of Texaco Inc. a Delaware corporation, on behalf
of said corporation.

My Commission Expires:

Notary Public

Date: _____

FRANCES P. BOLTON, dba WYOMING OIL
COMPANY
Address: _____

ATTEST:

NEW MEXICO ELECTRIC SERVICE COMPANY

Secretary

By _____
President

Address: _____

ATTEST:

TUCO INC.

Coyt Webb
Assistant Secretary

By *Carroll D. Beaman*
President

Address: P. O. Box 1261
Amarillo, Texas 79170

STATE OF NEW MEXICO)
: ss
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this _____
day of _____ 1976 by _____
President of Llano, Inc., a New Mexico corporation, on behalf of
said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1976 by _____
of Gulf Oil Corporation, a Pennsylvania corpora-
tion, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
: ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____
day of _____ 1976 by _____
of Texaco Inc. a Delaware corporation, on behalf
of said corporation.

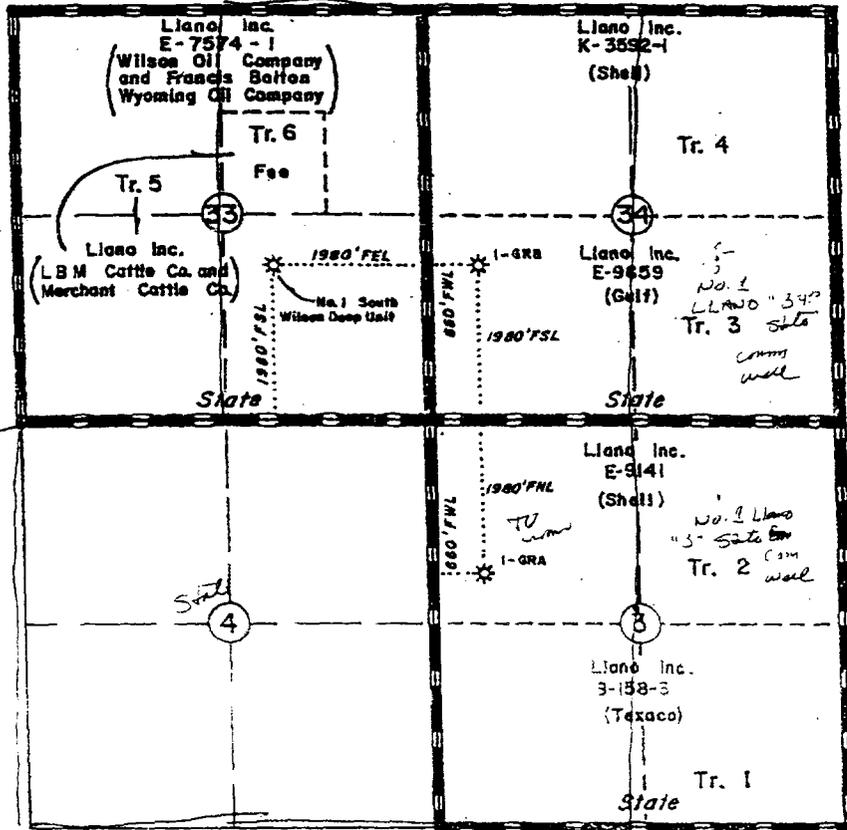
My Commission Expires: _____
Notary Public

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W220 NW oil & Conservation
Division, Case No
Order No. 6496



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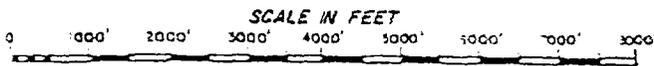
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EXHIBIT "A"

LLANO, INC.

GRAMA RIDGE MORROW UNIT
Lea County, New Mexico

—UNIT OWNERSHIP MAP



Tract No.	Description	No. Acres	Surface Lease No.	Basic Royalty	Lessee of Record	Overriding Royalty	Working Int. Owner and Percentage	Percentage Tract Participation
1	S $\frac{1}{2}$ Sec. 3, T. 22 S., R. 34 E.	320.00	B-158-3	12 $\frac{1}{2}$ %	Texaco Inc.	None	*New Mexico Electric Service Co. 40% TUCCO INC. 40% Llano, Inc. 20%	16,60475
2	N $\frac{1}{2}$ Sec. 3, T. 22 S., R. 34 E.	327.16	E-9141	12 $\frac{1}{2}$ %	Llano, Inc.	None	New Mexico Electric Service Co. 40% TUCCO INC. 40% Llano, Inc. 20%	16.97627
3	S $\frac{1}{2}$ Sec. 34, T. 21 S., R. 34 E.	320.00	E-9659	12 $\frac{1}{2}$ %	Gulf Oil Corp.	None	**New Mexico Electric Service Co. 40% TUCCO INC. 40% Llano, Inc. 20%	16.60475
4	N $\frac{1}{2}$ Sec. 34, T. 21 S., R. 34 E.	320.00	K-3592-1	12 $\frac{1}{2}$ %	Llano, Inc.	None	New Mexico Electric Service Co. 40% TUCCO INC. 40% Llano, Inc. 20%	16.60475

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Tract No. Description No. Surface Acres Lease No. Basic Royalty Lessee of Record Overriding Royalty Working Int. Owner and Percentage Percenta ge Tract Participation

5 S⁵, NW¹, N¹/₂NE¹, SE¹/₂NE¹ Sec. 33, T. 21 S., R. 34 E. 600.00 E-7574-1 12¹/₂% Wilson Oil Co. and Frances P. Bolton, dba Wyoming Oil Co. Amoco Production Co. - .0102041 Myles A. Colligan .0005102 Estelle L. Lake .0004081 F. W. Lake .0002041 Mary E. Lake .0002041 M. A. Machris .0032653 C. L. Milburn .0005102 Wilson Oil Co. .0081314 Frances P. Bolton dba Wyoming Oil Co. .0081314 Llano, Inc. .0280611 ***New Mexico Electric Service Co. 40% TUCO INC. 40% Llano, Inc. 20% 31.13389

6 SW¹/₂NE¹ Sec. 33, T. 21 S., R. 34 E. 40.00 Fee The Merchant Livestock Company - 67.63% of 12¹/₂% Don E. Gridley and wife and John E. Bosserman and wife - 32.37% of 12¹/₂% Wilson Oil Co. and Frances P. Bolton, dba Wyoming Oil Co. Amoco Production Co. - .0102041 Myles A. Colligan .0005102 Estelle L. Lake .0004081 F. W. Lake .0002041 Mary E. Lake .0002041 M. A. Machris .0032653 C. L. Milburn .0005102 New Mexico Electric Service Co. 40% TUCO INC. 40% Llano, Inc. 20% 2.07555

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NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

GRAMA RIDGE MORROW UNIT AGREEMENT

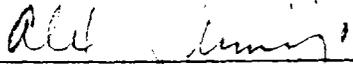
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 25, 1973, which has been executed, or is to be 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 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to 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 27th. day of August, 19 73.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

ILLEGIBLE

Tract No.	Description	No. Surface Acres	Lease No.	Basic Royalty	Lessee of Record	Overriding Royalty	Working Int. Owner and Percentage	Percentage Tract Participation
					Wilson Oil Co. .0081314			
					Frances P. Bolton dba Wyoming Oil Co. .0081314			
					Llano, Inc. .0280611			
	Total	1,927.16						100.0000

* Rights within vertical limits of the Morrow Sand formation between 12,720 and 13,257 feet.
 ** From the surface to the top of the Silurian.
 *** From 5,200 to 13,503 feet.

ILLEGIBLE

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, N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$ Section 34, Township 21 South, Range 34 East	State of New Mexico	960.00	960.00
All Section 3, Township, 22 South, Range 34 East	State of New Mexico	647.16	647.16
		1607.16	
		<u>647.16</u>	<u>\$1927.16</u>

ILLEGIBLE