

Thomas C. Lowry
Attorney



P.O. Box 552
Midland, Texas 79702
Telephone 915/682-1626

May 31, 1991

Tamano Working Interest Owners
Tamano (BSSC) Unit

Re: Approval of Draft 4 of the Unit Operating Agreement
as Form to be Executed

Gentlemen:

As a follow up to Dave Loran's letter of May 24, 1991, Marathon proposes by means of the enclosed Ballot, that Draft 4 of the Unit Operating Agreement be adopted as the final form for execution, with the following additional changes:

1. Add as the third sentence of 4.3.4 the following:

If a Working Interest Owner fails to respond to a matter submitted in writing within 30 days of the proposal being sent, such non-response shall constitute an affirmative vote for the proposal.

2. In the third line of 16.1 after the word "telegram" insert the words "or telefax".

3. Upon further review of the form notice of Unit Operating Agreement Lien previously proposed by Pennzoil, Marathon has decided to adopt Pennzoil's proposed form as Exhibit "G" to the Unit Operating Agreement. A copy of that form is attached.

I would ask that you return the enclosed Ballot to Marathon no later than Thursday June 6, 1991.

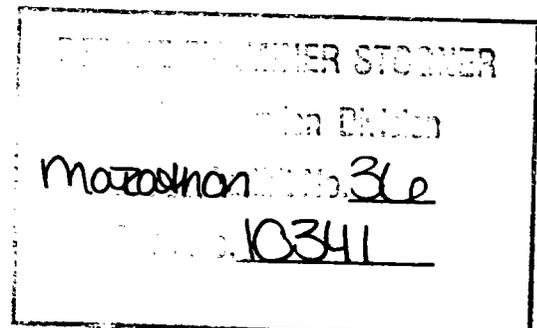
For your information, the applications to the New Mexico Oil Conservation Division for approval of the Tamano (BSSC) Unit will be filed by Tuesday June 4, 1991, enabling the hearing on the applications to go forward on June 27, 1991.

Sincerely,

A handwritten signature in cursive script that reads 'Thomas C. Lowry'.

Thomas C. Lowry
Attorney

TCL40A/1e



MAILING LIST

WORKING INTEREST OWNERS
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company
P. O. Box 1610
Midland, Texas 79702
Attention: Mr. Jim Hubbard
Telephone No.: (915) 688-5349
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88202
Attention: Ms. Rosemary T. Avery
Telephone No.: (505) 623-6601
VIA FAX NO.: 505-622-4221

Hudson and Hudson
616 Texas Street
Fort Worth, Texas 76102-4216
Attention: Mr. Randall Hudson
Telephone No.: (817) 336-7109
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation
P. O. Box 11050
Midland, Texas 79701
Attention: Ms. Donna Suchy
Telephone No.: (915) 688-7000
VIA FAX NO.: 915-688-7056

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702
Attention: D. D. Taimuty
Telephone No.: (915) 682-1626
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.
1414 Sugarcreek Blvd.
Sugarland, Texas 77478
Attention: Mr. Donald B. Moore
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company
P. O. Box 2967
Houston, Texas 77252
Attention: R. F. Blucher
Telephone No.: (713) 546-4000
VIA FAX NO: 713-546-6495

Wainoco Oil and Gas Company
1200 Smith Street, Suite 1500
Houston, Texas 77002
Attention: Mr. Ray Gasper
Telephone No.: (713) 658-9900
VIA FAX NO.: 713-658-8136

Yates Energy Corporation
500 N. Main, Suite 1010
P.O. Box 2323
Roswell, New Mexico 88202
Attention: Ms. Shari Hamilton
Telephone No.: (505) 623-4935
VIA FAX NO.: 505-623-4947

PROPOSAL TO BE VOTED ON BY
THE WORKING INTEREST OWNERS

ADOPTION OF FORM OF UNIT OPERATING AGREEMENT

Proposed Tamano (BSSC) Unit
Tamano (Bone Spring) Field
Eddy County, New Mexico
May 31, 1991

Proposal: That the Working Interest Owners of the Proposed Tamano (BSSC) Unit adopt Draft 4 of the Unit Operating Agreement as amended by Marathon's letter of May 31, 1991 as the form to be used in preparing the agreement for execution by the Working Interest Owners.

APPROVED BY: _____

DISAPPROVED BY: _____

ABSTAINED BY: _____

PRINT/TYPE NAME: _____

COMPANY: _____

DATE: _____

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____



EXHIBIT "G"

Attached to and made a part of Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico.

NOTICE OF UNIT OPERATING AGREEMENT - NOTICE OF LIENS
AND NON-STANDARD FORM FINANCING STATEMENT

This Notice of Unit Operating Agreement - Notice of Liens and Non-Standard Form Financing Statement, ("Notice") is to evidence that the parties hereto executed a Unit Operating Agreement dated _____, 1991, ("Operating Agreement") by and between Marathon Oil Company, as Unit Operator and Pennzoil Exploration and Production Company, et al, as Working Interest Owners, both Unit Operator and Working Interest Owners sometimes singly referred to as "party", and collectively as "parties", with COPAS Accounting Procedure attached thereto as Exhibit "D" governing oil and gas exploration and development operations on the following described lands ("Unit Area"):

Township 18 South-Range 31 East
Section 10: S/2NE/4, SE/4
Section 11: All
containing 880.00 acres, more or less

WHEREAS, the Unit Operating Agreement provides in part that the designated Unit Operator and Working Interest Owners under said agreement shall be granted like lien priorities in the Unit Area, together with interest thereon at a rate specified therein, to wit;

Section 11.5. Lien of Unit Operator

"Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, and a security interest in its share of Unitized Substances when produced, and its interest in all Unit Equipment, as security for payment of its share of Unit Expense to the full extent allowed by State and Federal Statutes, together with interest thereon at the prime rate charged by Chase Manhattan Bank during the period that such payment remains due, plus one percent (1%) per annum, or the maximum contract rate permitted by the applicable usury laws of the State of New Mexico, whichever is the lesser, plus attorney's fees, court costs and other costs in connection with the collection of unpaid amounts. To the extent that Unit Operator has a security interest under the Uniform Commercial Code, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right without prejudice to other rights and remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of

any default. Unit Operator grants a like lien and security interest to the Working Interest Owners."

WHEREAS, the parties to the Operating Agreement hereby elect to perfect their security interests in the Operating Agreement and to provide notice to all interested third parties of their lien upon and security interest in the Unit Area.

NOW THEREFORE, this Notice is executed and filed with the appropriate authorities and it is hereby noted that this Notice shall apply to the following types of property:

A. All rights, titles, interests and estates now owned or hereafter acquired by each of the parties in and to the oil, hydrocarbons, gaseous hydrocarbons and all products refined therefrom in and under and which may be produced and saved from or attributable to each party's interest in the Unit Area, including all oil in tanks and all profits, proceeds, products, revenues and other income from or attributable to each party's interest in the Unit Area.

B. All rights, titles, interests and estates now owned or hereafter acquired by each party in and to any oil or gas leases covering any or all of the Unit Area or any properties now or hereafter unitized with the Unit Area; all existing or future agreements created thereby (including without limitation all units created under orders, rules or other official acts of any governmental agency having jurisdiction) which may affect all or any portion of the Unit Area; all operating agreements, farmout agreements, contracts and other agreements entered into by any of the parties which relate to any portion of the Unitized Formation of the Unit Area or to the production, sale, purchase, exchange or processing of hydrocarbons from or attributable to the Unit Area.

C. All personal property now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with Unit Operations, including without limitation any and all oil wells, gas wells, injection wells or other wells, buildings, structures, field separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment appliances, tools, implements, cables, wires, towers, casing, tubing and rods, rights-of-ways, easements and servitudes together with all additional, substitution, replacements, accessions and attachments to any and all of the foregoing properties within the Unit Area.

This Notice covers oil, gas and associated minerals in and under the Unit Area, plus proceeds from the sale of oil, gas and associated minerals, plus personal property equipment which are or may become fixtures on the Unit Area. This Notice is to be recorded in the real estate records of the County Recorder for the County in which the Unit Area is located. The record owners of the Unit Area may include parties other than the parties signing below; but for the purposes of this Notice the parties signing below shall be deemed to be the record owners of the collateral relating to the Unit Area which is covered by this Notice.

To the extent the parties have a security interest under the Uniform Commercial

Code of the State ("Code"), parties shall be entitled to exercise the rights and remedies of a secured party under the Code.

In addition to constituting a Notice for the security interest granted by the Operating Agreement, this Notice constitutes a notice of a lien granted to the parties named above, under the terms of the Operating Agreement. The lien granted under the Operating Agreement applies to all the interests of each party in the Unit Area as set forth in subparagraphs (A) (B) and (C) hereof.

The subject Operating Agreement is available for review by any party having a vested interest in the Unit Area at Operator's offices.

This Notice is intended to constitute a notice that a lien exists under the Operating Agreement for operations conducted thereunder, effective as of the date operations benefiting the Unit Area were begun; and that Operator has performed services and furnished materials and labor for the development of the Unit Area, and is continuing to do so on an open account and as part of a continuing contract. Any claim for a lien under the Operating Agreement relates back to, and has priority as of the date the first services, materials or labor benefiting the Unit Area were provided.

This Notice shall remain in full force and effect as long as the Operating Agreement applicable to same is in force. It is agreed, however, that the termination of this Notice shall not relieve any party hereto from any liabilities which have accrued or attached to prior to the date of such termination. A carbon, photographic or other reproduction of this Notice shall be sufficient as a financing statement.

This Notice may be executed in counterparts, no one of which needs to be executed by all parties hereto, and shall be binding upon each party executing same and effective as to the interest of such party, their heirs, successors and assigns with the same force and effect as if all such parties had signed the same document.

IN WITNESS WHEREOF, this Notice of Operating Agreement, Notice of Liens and Non-Standard Form Financing Statement is executed as of this ____ day of _____ 19__, but effective between the parties as of the date of the Operating Agreement referred to in Paragraph 1 hereof.

SECURED PARTIES: