

AMENDMENT AND SUPPLEMENT TO
SAN JUAN 30-5 UNIT OPERATING AGREEMENT
RIO ARriba COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of July, 1959, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working interests in the Unit Area subject to the Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area, Rio Arriba County, New Mexico, designated Contract Number 14-08-001-346, and subject to the Unit Operating Agreement for the San Juan 30-5 Unit Area (said Unit Operating Agreement hereinafter referred to as "Unit Operating Agreement"), reference to which is here made for all purposes; and

WHEREAS, the parties hereto desire to provide for the drilling and operation of wells to be completed in dual formations and for the sharing and allocation of costs and risks incident thereto.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, and other good and valuable consideration, the full receipt and sufficiency of which are hereby acknowledged, the parties hereto have agreed and do agree as follows:

ARTICLE I

Unit Agreement Confirmed

The Unit Agreement and all Exhibits attached thereto, are hereby confirmed and made a part of this agreement; and in the event of any conflict between the provisions of the Unit Agreement and the provisions of the Unit Operating Agreement, as amended and supplemented hereby, the provisions of the Unit Agreement shall prevail.

ARTICLE II

Unit Operating Agreement Amended

In order to prevent conflict between the provisions of this Amendment and Supplement and the provisions of the Unit Operating Agreement, the following quoted sentence in Section 9 of the Unit Operating Agreement is hereby deleted:

"In the event any one well is completed as a paying producer in more than one formation, the Working Interest Owners of the respective participating areas established for such formations shall arrange for appropriate allocation of investment and operating costs of such well by separate agreement."

ARTICLE III

Supplement to Unit Operating Agreement

The provisions which follow in this Article III are supplemental to the Unit Operating Agreement and are hereby adopted as part of said Agreement.

1. Definitions

- "Shallow Owners" - the working interest owners either in the Unit Area, Participating Area, drilling block or in less than the Unit Area, whichever is applicable, owning the working interest in and to the shallower formation of a well to be drilled or which is completed in two formations.
- "Deep Owners" - the working interest owners either in the Unit Area, Participating Area, drilling block or in less than the Unit Area, whichever is applicable, owning the working interest in and to the deeper formation of a well to be drilled or which is completed in two formations.

2. Formula for Allocation of Costs for Drilling and Completing Dual Wells.

Whenever in this Agreement it is provided that costs will be borne by Shallow Owners and Deep Owners in accordance with Section 2, Article III, the following procedures will be used:

At the same time Shallow and Deep Owners separately agree to the drilling of a well to be projected to dual formations, both such categories of Owners shall approve an estimate prepared by Unit Operator of the total costs of drilling and completing said well to the wellhead in both formations. Such approval shall be obtained in accordance with Section 7 of the Unit Operating Agreement. The estimated total costs shall be divided into the following categories:

- a) Costs to be incurred above the base of the shallower of the two formations, except those set forth in Subsection (c) hereof.
- b) Costs to be incurred below the base of the shallower of the two formations.
- c) Costs attributable to testing and completing in the shallower formation.

Upon completion of the well, the actual costs of drilling, completing, testing and equipping such well will be apportioned among the three categories set forth hereinabove, and these actual costs will be paid by the obligated parties as follows:

- a) Costs incurred above the base of the shallower formation except those set forth in Subsection (c) hereof will be shared equally by and between Shallow Owners and Deep Owners.
- b) The costs incurred below the base of the shallower formation shall be paid by Deep Owners.

c) Costs attributable to testing and completing in the shallower formation shall be paid by Shallow Owners.

3. Drilling and Completing Dual Wells. Costs of drilling, testing, treating, equipping and completing wells to the wellhead which are begun with the objective of dual completion and which are completed as dual wells shall be borne by Shallow Owners and by Deep Owners in accordance with the provisions of Section 2, Article III. Until admission into a participating area the material and equipment thereon shall be owned by the party or parties paying the cost thereof pursuant to Section 2, Article III. Shallow Owners and Deep Owners shall respectively own, subject to allocation to an appropriate participating area, all unitized substances produced from their respective formations. Upon abandonment of the well if dry in both formations, costs of plugging and abandoning shall be shared equally by and between Shallow Owners and Deep Owners. Upon the completed well being admitted into a participating area or areas, the ownership of equipment and materials shall pass to the owners of the participating area or areas in accordance with the terms of Section 3 of the Unit Operating Agreement.
4. Completion of Well in Shallower Formation but Abandoned as to Deeper Formation. In the event that a well begun with the objective of dual completion is drilled to the deeper formation and results in discovery of unitized substances in paying quantities in the shallower formation but is dry in the deeper formation, all costs of drilling, testing and treating shall be borne by the Shallow Owners and Deep Owners in accordance with Section 2, Article III. All costs of equipping the well shall be borne by Shallow Owners. Further, Shallow Owners shall pay to Deep Owners the salvable value of the material and equipment or share thereof paid for or furnished by Deep Owners. Thereafter Shallow Owners shall own all material and equipment acquired in the drilling and completing of said well. Shallow Owners shall own all unitized substances produced from the shallow formation and shall bear all costs of plugging and abandonment of the well.

5. Completion of Well in Deeper Formation but Abandoned as to Shallower Formation. In the event that a well begun with the objective of dual completion results in discovery of unitized substances in paying quantities in the deeper formation, but dry in the shallower formation, all costs of drilling, testing and treating shall be borne by the Shallow Owners and the Deep Owners in accordance with the provisions of Section 2, Article III. All costs of equipping the well shall be borne by Deep Owners. Further, Deep Owners shall pay to Shallow Owners the salvable value of the material and equipment or share thereof paid for or furnished by Shallow Owners. Thereafter, Deep Owners shall own all material and equipment acquired in the drilling and completion of such well. Deep Owners shall own all unitized substances produced from the deeper formation, and shall bear all costs of plugging and abandoning the well.
6. Abandonment as to one Formation after Completion of Well in Both Formations. In the event that, after completion of a dual well, the working interest owners of one formation should decide to abandon the well as to their formation, the working interest owners of the remaining producing formation shall pay to the working interest owners of the formation to be abandoned, the salvage value of equipment belonging to the owners of the formation to be abandoned. The owners of the formation to be abandoned shall pay for the abandonment of that formation. After payment of the amount provided for above, the working interest owners of the formation from which the well continues to produce shall own all of such equipment. The working interest owners of the producing formation, after abandonment as to the other formation, shall also bear all costs of plugging and abandoning upon later abandonment of the well as to their formation.
7. Deepening a Shallow Well or Converting a Deeper Well for Dual Completion. Before any well which is completed in a single formation may be deepened or perforated at a shallower depth for purposes of completion as a dual well, the working interest owners of both formations must approve the operation under the general

provisions of the Unit Operating Agreement. The payment to the owners of the single existing completion by the owners desiring to dual the well shall be a fair value representative of the well. If the operation should result in an impairment of production from, or a loss of, the existing well, the provisions of Section 10, Article III shall govern unless otherwise provided for in the approval.

8. Allocation of General Operating and Maintenance Costs in Dual Wells.

After completion of a dual well, the costs of producing operations shall be borne by the working interest owners of the two formations as follows:

- a) The completion in each separate formation shall be treated as a separate well for overhead and district and camp expense. Such expense shall be borne by the working interest owners of the respective formations as a separate cost allocable to their interest;
- b) Each formation shall bear all costs of normal producing operations, including costs of labor, repairs, maintenance and replacement of equipment attributable to such formation. All costs of operations performed for the joint benefit of both formations shall be borne on a per well basis by the Shallow Owners to the extent of 50% of the total cost, and by the Deep Owners to the extent of 50% of total cost.

9. Allocation of Cost of Workover Operations for both Formations.

After completion of a dual well, the costs of any workover or other operations on such well involving both formations shall be borne by the working interest owners of such formations as follows:

- a) The costs of any operation which is directly related to one formation, including but not limited to operations such as treatments and perforations, shall be borne by the working interest owners of the formation for which the operation is performed.
- b) All costs of material, equipment, repairs, replacements and labor not directly related to one formation, including but not limited to repair and correction of leaks which may result in communication between the two formations within the well bore shall be borne by the Shallow Owners to the extent of 50% of the total cost and by Deep Owners to the extent of 50% of the total cost.
- c) Any material and equipment acquired by any such expenditures provided for in Subparagraph (a) and (b) above shall be owned by the Shallow Owners and the Deep Owners so as to be consistent with the ownership of the material and equipment as set forth in Section 3, Article III.
- d) The working interest owners of each formation shall not be responsible for nor be charged with any loss of production from any other formations during any such operation.

10. Workover Operations of One Formation. After completion of a dual well, any subsequent workover, deepening, plugging back, or other operations or repair as to one formation only of such well, which requires a separation of the formations for the repair or other work on any portion of the well, shall be governed by the provisions which follow:

- a) The proposed plan of operation must be approved in accordance with the voting procedure prescribed by Section 7 of the Unit Operating Agreement prior to commencement of operations by the working interest owners of the formation not to be worked upon, if there be no participating area; or the working interest owners of the participating area for the formation not to be worked upon, if such well be within a participating area for that formation; or by the working interest owners of such well, if it be excluded from the participating area; whichever is applicable.
- b) The costs and expenses of any such operations will be borne by the working interest owners of the formation to be worked upon, or the working interest owners of the participating area for the formation to be worked upon or by the working interest owners of such well in the formation to be worked upon, whichever is applicable.
- c) The working interest owners bearing the cost of the operation shall not be liable to the working interest owners of the formation not being worked upon for cessation of production during such operations for a period of time not exceeding a total of ninety (90) days. In the event such cessation of production during operations is for a longer period of time, the working interest owners of the formation being worked upon, hereinafter referred to as Remedial Owners, shall pay to the working interest owners of the formation not being worked upon, hereinafter referred to as Damaged Owners, damages in such amount as shall be determined by Remedial Owners and Damaged Owners jointly in accordance with the voting procedure prescribed by Section 7 of the Unit Operating Agreement for loss of production occurring after a ninety (90) day period.
- d) If such operations disturb or remove the means of separation of the two formations in the well bore or otherwise require a cessation of production from the other formation not being reworked, the operator shall, before and after the operation, conduct a test of the well as to such other formation for the purpose of determining whether or not the producing capacity as to said formation has been impaired, by employing the procedure set forth as follows:
 - (1) For an oil well producing capacity will be measured by actual production obtained for thirty (30) producing days immediately preceding the workover and compared with the actual production for thirty (30) producing days immediately following the workover operations. If either the conditions or equipment have in any way been changed during the period of comparison, then the production figures obtained shall be corrected by calculation to account for any such change or changes.
 - (2) With respect to gas wells connected to a gas gathering system, the producing capacity shall be determined by the actual production before and after the workover

and shall be the thirty (30) days in which there was actual production into the line immediately before or after the workover as applicable with the well producing under similar pressure differential and other conditions. If the producing conditions or equipment size are different or the well is not connected to a gathering system, an appropriate applicable method will be utilized to determine the effect on deliverabilities which the workover has caused.

- (3) If the producing capacity of the well as to such other formation has been reduced in excess of twenty per cent (20%), damages will be deemed to have occurred. If damage has occurred, the rights and liabilities between Remedial Owners and Damaged Owners shall be adjusted in accordance with the provisions set out below:

Remedial Owners may at their sole cost, risk and expense attempt to restore the well to 80% of its former capacity or may pay to Damaged Owners the cost of a replacement well completed in the damaged formation. If the attempt is unsuccessful, or if no attempt is made, and if the cost of a replacement well is not so paid, Remedial Owners shall pay damages to Damaged Owners in an amount determined by the following formula:

$$\text{Damage Payment} = \text{Cost of Replacement Well} \\ \times \left(1 - \frac{A}{0.80B} \right)$$

A = The capacity of the well from the damaged formation after the workover or other operation or after completion of any further work to restore the well as to the damaged formation which the Remedial Owners elect to perform.

B = The capacity of the well from the damaged formation before the workover or other operation which impaired the producing capacity of such well.

In no event, however, shall the amount of damages, computed in the manner hereinabove provided, exceed the value of the remaining recoverable reserves (less cost of recovery) of the formation as to which the well was damaged which could have been recovered from such well if it had not been damaged. If more than one capacity test is made after completion of the workover or other operation or work performed at the election of Remedial Owners, the last capacity obtained in such testing will be used in calculating the reduction of capacity. The Remedial Owners will pay such damages within fifteen (15) days following the date the amount of damages is determined. Payment of damages will not alter the ownership of formations or equipment except if cost of a replacement well is paid Remedial Owners shall own all material and equipment on or used in connection with the damaged well and shall bear all costs of plugging and abandonment. If an attempt to restore the well to 80% of its former capacity is made and such attempt is successful, Remedial Owners shall have no further liability.

- e) It is understood, however, that liability for loss or damages shall not accrue hereunder if: (1) in workover of the shallow formation such loss or damage exists prior to actual commencement of the operations to be performed in said formation, or,

in workover of the deep formation, loss or damage exists prior to penetration of workover equipment below the base of the shallow formation, and (2) the evidence is conclusive that the loss or damage resulted solely from the previously existing poor mechanical condition of the well.

11. Allocation of Overhead and District and Camp Expense in Dual Completion Operations. As to any well which was begun with the objective of dual completion and as to any well on which work is begun to deepen or to convert it into a dual completion, overhead charges during drilling shall be billed as though the well were a single well to be drilled to test the deepest formation, and for purposes of allocating district and camp expense among wells, each drilling well shall be treated as one well. Upon completion of such a well, each formation in which the well is completed shall be treated as a separate well for purposes of charging overhead and allocating field and camp expenses.

ARTICLE IV

Effective Date

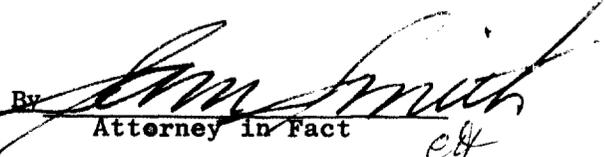
When fully executed, as set forth in Article V, this Agreement shall be effective as to all parties hereto as of the first date hereinabove written, and unless otherwise terminated, it shall be effective as long as the Unit Agreement is effective. This Agreement may be terminated in any manner by which said Unit Agreement may be terminated.

ARTICLE V

Counterparts

This Amendment and Supplement 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 a binding agreement when all parties owning a working interest committed to the San Juan 30-5 Unit 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.

EL PASO NATURAL GAS COMPANY

By 
Attorney in Fact *EA*

Supplemental Execution Page to Amendment and Supplement to San Juan 30-5 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective July 1, 1959.

ATTEST:

[Signature]
ASSISTANT Secretary

PHILLIPS PETROLEUM COMPANY

By *[Signature]*
VICE President

ATTEST:

[Signature]
-Secretary
ASSISTANT

GENERAL AMERICAN OIL COMPANY OF TEXAS

By *[Signature]*
VICE President

ATTEST:

Secretary

PAN AMERICAN PETROLEUM CORPORATION

By _____
President

ATTEST:

[Signature]
ASSISTANT Secretary

SKELLY OIL COMPANY

By *[Signature]*
VICE-PRESIDENT

STATE OF TEXAS §
 §
COUNTY OF EL PASO §

The foregoing instrument was acknowledged before me this 11th day of July, 19 60, by SAM SMITH, Attorney in Fact of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:

[Signature]
Notary Public

NATALIE TAYLOR
Notary Public in and for El Paso County, Texas
My Commission Expires June 1, 1961

Supplemental Execution Page to Amendment and Supplement to San Juan 30-5 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective July 1, 1959.

ATTEST:

PHILLIPS PETROLEUM COMPANY

Secretary

By _____
President

ATTEST:

GENERAL AMERICAN OIL COMPANY OF TEXAS

Secretary

By _____
President

ATTEST:

PAN AMERICAN PETROLEUM CORPORATION

[Handwritten Signature]
Ass't Secretary

By *[Handwritten Signature]* APPROVED
7/1/59
ATTORNEY-IN-FACT

ATTEST:

SKELLY OIL COMPANY

Secretary

By _____
President

STATE OF TEXAS §
 §
COUNTY OF EL PASO §

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of EL PASO NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:

Notary Public

Acknowledgement Page to Amendment and Supplement to San Juan 30-5 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective July 1, 1959.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of PHILLIPS PETROLEUM COMPANY.

My Commission expires: _____ Notary Public

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of GENERAL AMERICAN OIL COMPANY OF TEXAS.

My Commission expires: _____ Notary Public

STATE OF TEXAS _____
COUNTY OF TARRANT _____

The foregoing instrument was acknowledged before me this 14th day of March, 1960, by C. F. BEDFORD, ATTORNEY-IN-FACT of PAN AMERICAN PETROLEUM CORPORATION.

My Commission expires: June 4, 1961 Pauline A. Kay Notary Public
PAULINE A. KAY

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of SKELLY OIL COMPANY.

My Commission expires: _____ Notary Public

Acknowledgement Page to Amendment and Supplement to San Juan 30-5 Unit Operating Agreement, County of Rio Arriba, State of New Mexico, effective July 1, 1959.

STATE OF Oklahoma §
COUNTY OF Washington §

The foregoing instrument was acknowledged before me this 4th day of February, 1960, by C. O. Stark, Vice President of PHILLIPS PETROLEUM COMPANY.

My Commission expires:

August 1, 1963

Martha Buehler
Notary Public

STATE OF ~~OKLAHOMA~~ TEXAS §
COUNTY OF Dallas §

The foregoing instrument was acknowledged before me this 6th day of June, 1960, by W. P. BARNES, VICE PRESIDENT of GENERAL AMERICAN OIL COMPANY OF TEXAS.

My Commission expires:

MY COMMISSION EXPIRES JUNE 1, 1961

Barbara Wilson
Notary Public

STATE OF _____ §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, of PAN AMERICAN PETROLEUM CORPORATION.

My Commission expires:

Notary Public

STATE OF Okla. §
COUNTY OF Tulsa §

The foregoing instrument was acknowledged before me this 3rd day of Feb., 1960, by A. L. CRISHMAN, VICE-PRESIDENT of SKELLY OIL COMPANY.

My Commission expires:
HAZEL M. BRADY

Notary Public Tulsa County Oklahoma
My Commission Expires January 21, 1962

Hazel M. Brady
Notary Public



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA
1235 LAPLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401



IN REPLY REFER TO:

San Juan 30-5 Unit (UA)
3180 (019)

JUL 31 1990

Phillips Petroleum Company
300 West Arrington, Suite 200
Farmington, NM 87401

Gentlemen:

Your letter of July 10, 1990 transmitted a copy of a Designation of Agent whereby Phillips Petroleum Company, as unit sub-operator under the San Juan 30-5 Unit agreement, designates Northwest Pipeline Corporation as Agent for the drilling of the San Juan 30-5 Unit 215 and 218 Fruitland Coal wells, San Juan County, New Mexico.

The designation of Agent for the San Juan 30-5 Unit 215 and 218 Fruitland Coal wells is hereby approved effective July 10, 1990 through December 31, 1990.

If you have any questions, please contact Kenny Howell at the above address or telephone (505) 327-5344.

Sincerely,

Ken Townsend

John L. Keller, Chief
FOR Branch of Mineral Resources

cc: New Mexico Oil Conservation Division, State Land Office Building, P. O.
Box 2088, Santa Fe, NM 87504
Commissioner of Public Lands, State of New Mexico, P. O. Box 1148, Santa
Fe, NM 87504

RESIGNATION OF UNIT OPERATOR AND
DESIGNATION OF SUCCESSOR UNIT OPERATOR

SAN JUAN 30-5 UNIT AREA
COUNTY OF RIO ARRIBA, STATE OF NEW MEXICO
NO. 14-08-001-346

THIS INDENTURE, dated as of the 15th day of March, 1991, by and between Northwest Pipeline Corporation, operator and owner of unitized working interest, hereinafter called "Northwest" and Phillips Petroleum Company, successor operator and owner of unitized working interest, hereinafter called "Phillips",

W I T N E S S E T H:

WHEREAS, under the provisions of the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. §§181, et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, the Secretary of the Interior, on the 7th day of November, 1952, approved the Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area, wherein Northwest is designated as Unit Operator; and

WHEREAS, under the provisions of an Act of Legislature (§1, Chap. 162, Laws of 1951, and §§ 1 and 2, Chap. 176, Laws of 1961, Sec. Chap. 7, Article 11, §§39, 40 and 41, New Mexico Statutes 1953 Annotated) (Now being Chap. 19, Article 10, §§ 45, 46 and 47 New Mexico Statutes Annotated 1978 Com.) the Commissioner of Public Lands on the 15th day of October, 1952, approved a Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area, wherein Northwest is designated as Unit Operator; and

WHEREAS, said Northwest has resigned as such Operator, and the designation of a successor Unit Operator is now required pursuant to the terms thereof; and

WHEREAS, in accordance with the terms and provisions of the San Juan Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area, Northwest has procured the necessary consent from working interest owners in the San Juan 30-5 Unit to resign as Unit Operator prior to the required 6-month waiting period after notification to working interest owners and regulatory agencies, and Phillips has procured the necessary consent from said owners to replace Northwest as Operator of the San Juan 30-5 Unit.

NOW, THEREFORE, effective April 1, 1991, Northwest hereby resigns as Unit Operator under the Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area and Phillips hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to all the terms of the Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area, and Northwest covenants and agrees that, upon approval of this indenture by the Authorized Officer in the proper BLM office and the Commissioner

of Public Lands, Phillips shall be granted the exclusive right and privilege of exercising any and all rights and privileges and Unit Operator, pursuant to the terms and conditions of said Unit Agreement; and said Unit Agreement being hereby incorporated hereby by references and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date hereinabove set forth.

APPROVED AS TO FORM
THIS DATE 3/18/91
BY Lenny [Signature]

Unit Operator and Working Interest Owner
Northwest Pipeline Corporation

By: [Signature]
Attorney-in-Fact

Successor Unit Operator and Working Interest Owner
Phillips Petroleum Company

By: [Signature]
Attorney-in-Fact

STATE OF Utah)
 : ss.
COUNTY OF Salt Lake

The foregoing instrument was acknowledged before me this 18th day of March, 1991, by Warren O. Curtis, as Attorney-in-Fact on behalf of Northwest Pipeline Corporation.

My commission expires:
September 8, 1991

Queen E. Graves
Notary Public

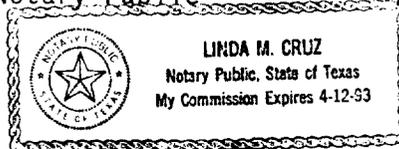


STATE OF Texas)
 : ss.
COUNTY OF Harris

The foregoing instrument was acknowledged before me this 20th day of MARCH, 1991, by N. L. MADDOX, as Attorney-in-Fact on behalf of PHILLIPS PETROLEUM COMPANY.

My commission expires:
4-12-93

Linda M. Cruz
Notary Public



RESIGNATION OF UNIT OPERATOR AND DESIGNATION OF SUCCESSOR UNIT OPERATOR
SAN JUAN 30-5 UNIT AREA

El Paso Natural Gas Company

El Paso, Texas 79978

December 7, 1973

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas 79978

Northwest Pipeline Corporation
Post Office Box 1526
Salt Lake City, Utah 84111

TO ALL WORKING INTEREST OWNERS

Re: San Juan 30-5 Unit

Gentlemen:

On June 16, 1972, the United States District Court for the District of Colorado, in Civil Action C-2626, ordered that certain assets and properties of El Paso Natural Gas Company ("El Paso") be divested to Northwest Pipeline Corporation ("Northwest"). This order was affirmed by the United States Supreme Court on March 5, 1973. On September 21, 1973, the Federal Power Commission issued an order authorizing Northwest to acquire and operate the assets and properties to be divested and recognizing Northwest as successor to El Paso's interests in these assets. On October 19, 1973, the District Court entered its final order directing that the divestiture be completed forthwith. The properties and assets consist primarily of El Paso's Northwest Division gas system, much of which was formerly owned by Pacific Northwest Pipeline Corporation.

Among the properties to be divested are those lands in the captioned Unit which El Paso acquired from Pacific Northwest Pipeline Corporation. In conjunction with this divestment El Paso wishes to resign as Unit Operator and Northwest wishes to succeed El Paso as Unit Operator. Upon obtaining working interest owner consent Northwest will request to be approved by the Director and the Commissioner as Successor Unit Operator.

While neither El Paso nor Northwest is certain as to specifically when Northwest will be able to replace El Paso as Unit Operator, we are both hopeful that this can be accomplished within from 60 to 90 days. For

To All Working Interest Owners
San Juan 30-5 Unit
Page Two

December 7, 1973

this reason El Paso respectfully requests that you waive the six (6) months waiting period called for in Paragraph 4 of the Unit Agreement and further consent to the Successor Unit Operator replacing El Paso as Unit Operator immediately upon qualification and approval.

Northwest respectfully requests your consent to succeed El Paso as Unit Operator. Please evidence your agreement to these requests by signing and returning a copy of this letter to each of the undersigned.

EL PASO NATURAL GAS COMPANY

NORTHWEST PIPELINE CORPORATION

BY:

T. W. Birtcher
Attorney-in-Fact

BY:

John G. Mammoleni

AGREED TO this 13 day of
Feb, 1974

BY:

Amoco Prod Co
A. P. Hunter

Its Attorney in Fact

To All Working Interest Owners
San Juan 30-5 Unit
Page Two

December 7, 1973

this reason El Paso respectfully requests that you waive the six (6) months waiting period called for in Paragraph 4 of the Unit Agreement and further consent to the Successor Unit Operator replacing El Paso as Unit Operator immediately upon qualification and approval.

Northwest respectfully requests your consent to succeed El Paso as Unit Operator. Please evidence your agreement to these requests by signing and returning a copy of this letter to each of the undersigned.

EL PASO NATURAL GAS COMPANY

NORTHWEST PIPELINE CORPORATION

BY:

T. W. Pitts
Attorney-in-Fact

BY:

John A. Mammoleni

AGREED TO this 16 day of
Dec, 1973.

BY:

Lynette Harrison

To All Working Interest Owners

San Juan 30-5 Unit

Page Two

December 7, 1973

this reason El Paso respectfully requests that you waive the six (6) months waiting period called for in Paragraph 4 of the Unit Agreement and further consent to the Successor Unit Operator replacing El Paso as Unit Operator immediately upon qualification and approval.

Northwest respectfully requests your consent to succeed El Paso as Unit Operator. Please evidence your agreement to these requests by signing and returning a copy of this letter to each of the undersigned.

EL PASO NATURAL GAS COMPANY

BY:

T. W. Pittman
Attorney-in-Fact

NORTHWEST PIPELINE CORPORATION

BY:

John G. McMillen

AGREED TO this 17th day of
December, 1973.

Crown Central Petroleum Corp.

BY:

J. A. [Signature]

To All Working Interest Owners
San Juan 30-5 Unit
Page Two

December 7, 1973

this reason El Paso respectfully requests that you waive the six (6) months waiting period called for in Paragraph 4 of the Unit Agreement and further consent to the Successor Unit Operator replacing El Paso as Unit Operator immediately upon qualification and approval.

Northwest respectfully requests your consent to succeed El Paso as Unit Operator. Please evidence your agreement to these requests by signing and returning a copy of this letter to each of the undersigned.

EL PASO NATURAL GAS COMPANY

BY:

T. W. Pitts
Attorney-in-Fact

NORTHWEST PIPELINE CORPORATION

BY:

John A. Mammoleni

AGREED TO this 12th day of
December, 1973.

PHILLIPS PETROLEUM COMPANY

BY:

M. M. Bohn

RESIGNATION OF UNIT OPERATOR AND
DESIGNATION OF SUCCESSOR UNIT OPERATOR

MAR 20 1974
51
OIL CONSERVATION
COMMISSION

WHEREAS, on September 8, 1952, that certain Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area located in Rio Arriba County, New Mexico, was entered into by parties owning interests in the acreage embraced in said Unit Area, and, thereafter, said Unit Agreement was duly approved by the Commissioner of Public Lands of the State of New Mexico on October 15, 1952, by the Oil Conservation Commission of the State of New Mexico on October 20, 1952 and by the United States Geological Survey on November 7, 1952; and

WHEREAS, on December 31, 1959, Pacific Northwest Pipeline Corporation was merged with and into El Paso Natural Gas Company, and El Paso Natural Gas Company, as the surviving corporation accepted and assumed the duties of Successor Unit Operator in accordance with the provisions of the Unit Agreement; and

WHEREAS, on June 16, 1972, the United States District Court for the District of Colorado, in Civil Action C-2626, ordered that certain assets and properties of El Paso Natural Gas Company which had been acquired by El Paso Natural Gas Company from Pacific Northwest Pipeline Corporation be divested to Northwest Pipeline Corporation, and included in said properties were certain lands and interests in the San Juan 30-5 Unit. The District Court Order was affirmed by the United States Supreme Court on March 5, 1973. On September 21, 1973, the Federal Power Commission issued an order authorizing Northwest Pipeline Corporation to acquire and operate the assets and properties to be divested and recognizing Northwest Pipeline Corporation as successor in interest to El Paso Natural Gas Company as to such assets and properties. On October 19, 1973, the District Court entered its final order directing that the divestiture be completed forthwith; and

WHEREAS, by instruments dated January 31, 1974, El Paso Natural Gas Company did transfer and convey unto Northwest Pipeline Corporation certain assets and properties including lands and interests within the San Juan 30-5 Unit; and

WHEREAS, in accordance with the terms and provisions of the San Juan 30-5 Unit Agreement, El Paso Natural Gas Company has procured the

necessary consent from interest owners in the San Juan 30-5 Unit to resign as Unit Operator and Northwest Pipeline Corporation has procured the necessary consent from said owners to replace El Paso Natural Gas Company as Operator of the San Juan 30-5 Unit, and evidence of such consent is attached hereto.

NOW THEREFORE, this instrument evidences the following:

1. Effective January 31, 1974, at 11:59 P.M. Mountain Daylight Saving Time, El Paso Natural Gas Company does hereby resign as Operator under the Unit Agreement for the Development and Operation of the San Juan 30-5 Unit Area, Rio Arriba County, New Mexico, and agrees to settle and discharge all liabilities, obligations and responsibilities, if any, incurred by it as Unit Operator prior to the date and time of resignation.

2. Effective January 31, 1974, at 11:59 P.M. Mountain Daylight Saving Time, Northwest Pipeline Corporation does hereby accept and assume the duties and responsibilities of Unit Operator of the San Juan 30-5 Unit and agrees to serve in such capacity until its designation as Unit Operator shall be terminated in accordance with said Unit Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this instrument effective as of 11:59 P.M. Mountain Daylight Saving Time, January 31, 1974.

UNIT OPERATOR AND WORKING INTEREST OWNER
EL PASO NATURAL GAS COMPANY

BY: J. W. Pittman
Attorney-in-Fact

SUCCESSOR UNIT OPERATOR AND WORKING INTEREST OWNER

NORTHWEST PIPELINE CORPORATION

BY: R. F. Bailey
Vice President

ATTEST:

BY: David H. Watkins
Secretary

Approved... March 25 1974
A. H. Carter
Secretary - Ines or

NEW MEXICO OIL CONSERVATION COMMISSION