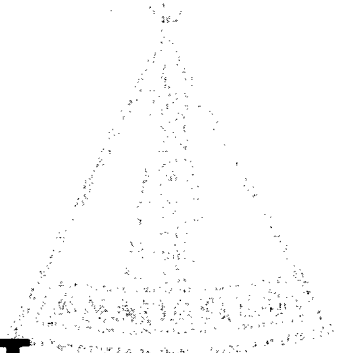
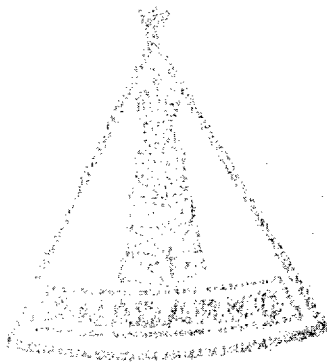
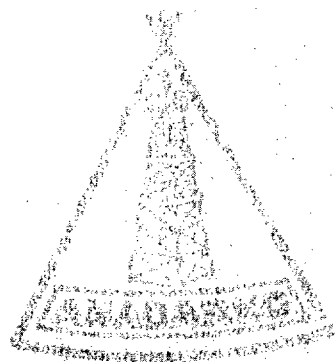
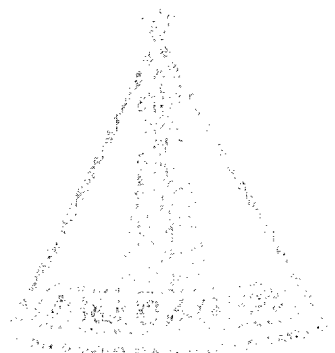
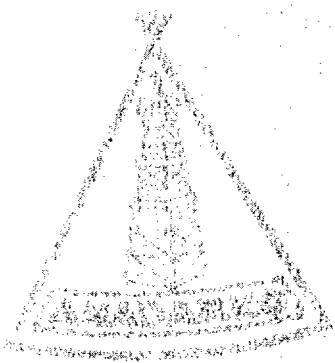


UNIT AGREEMENT



TEAS YATES UNIT

LEA COUNTY, NEW MEXICO



Case 4469

UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO
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EXHIBIT A (MAP OF UNIT AREA)

EXHIBIT B (SCHEDULE OF OWNERSHIP)

APPENDIX TO EXHIBIT B (SCHEDULE OF OWNERSHIP)

EXHIBIT C (SCHEDULE OF TRACT PARTICIPATIONS)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of June 1970, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto":

WITNESSETH: That,

WHEREAS, the parties hereto are the owners of working, royalty, or other oil or gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949, Chap. 65, Art. 3, Sec. 14, N.M.S., 1953 anno) to approve this Agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sections 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the Teas Yates Unit Area covering the land hereinafter described to give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, conserve natural resources, prevent waste and secure the other benefits obtainable through development and operation of the area subject to this Agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises, the mutual agreements, and the promises herein contained, the parties hereto commit to this Agreement their entire respective interests in the below-defined Unit Area, and agree severally among themselves as follows:

SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2 UNIT AREA AND DEFINITIONS. The area described by Tracts in Exhibit "B" and depicted on Exhibit "A" attached hereto is hereby

designated and recognized as constituting the Unit Area containing 1200.01 acres, more or less, in Lea County, New Mexico. Said land is described as follows:

LEA COUNTY, NEW MEXICO

T-20-S, R-33-E, NMPM

Section 10: SE/4 SE/4
Section 11: SW/4 SW/4
Section 13: N/2, N/2 SE/4, N/2 SW/4
Section 14: N/2, N/2 SE/4, SW/4 SE/4, N/2 SW/4, SE/4 SW/4
Section 15: NE/4 NE/4

T-20-S, R-34-E, NMPM

Section 18: Lot 2

For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

- (a) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.
- (b) "Director" is defined as the Director of the United States Geological Survey.
- (c) "Secretary" is defined as the Secretary of the Interior of the United States of America.
- (d) "Department" is defined as the Department of the Interior of the United States of America.
- (e) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the region in which the Unit Area is situated.
- (f) "Unitized Formation" is defined as that stratigraphic interval underlying the Unit Area extending from the top of the Yates formation to the base of the Yates formation, said interval being more specifically the equivalent of the continuous interval occurring between the depths of 3,147 feet and 3,376

feet as shown on the Western Company simultaneous radioactivity log run on December 16, 1953, in W. H. Black's (now Anadarko Production Company) No. 3 Federal well located 1,980 feet from the north line and 1,650 feet from the west line of Section 14, T. 20 S., R. 33 E., Lea County, New Mexico. Said log was measured from a derrick floor elevation of 3,582 feet above sea level.

- (g) "Unitized Substances" is defined as all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons produced from the Unitized Formation underlying unitized land.
- (h) "Tract" is defined as each parcel of land described as such and given a Tract number in Exhibit "B".
- (i) "Tract Participation" is defined as that percentage of Unitized Substances which is allocated to a Tract under this Agreement.
- (j) "Unit Participation" is defined as the sum of the percentages obtained by multiplying each Working Interest Owner's fractional Working Interest in each Tract by the Tract Participation (either Phase I or Phase II) of each such Tract. However, for the purpose of Working Interest Owner voting rights under this Unit Agreement, Unit Participation shall mean Unit Participation during Phase II.
- (k) "Working Interest" is defined as the right to search for, produce, and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.
- (l) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest, whether by virtue of a lease, operating agreement, fee title or otherwise, whose interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing, and producing the Unitized Substances from the Unitized Formation.
- (m) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved to a lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, or

any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

- (n) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.
- (o) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 9 (ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT), *infra*, and shall be styled "Unit Operating Agreement, Teas Yates Unit, Lea County, New Mexico."
- (p) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the Unitized Land.
- (q) "Unit Manager" is defined as the person or corporation appointed by the Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a Successor Unit Operator as provided for in Section 8 hereof.
- (r) "Phase I" is defined as that period of time beginning at 7:00 A.M. on the effective date hereof and continuing until 7:00 A.M. on the first day of the calendar month next following the recovery of a total of 55,066 barrels of oil produced on and after January 1, 1968, from the Unitized Formation underlying the Unit Area (as such area is depicted on the original Exhibit A).
- (s) "Phase II" is defined as the remainder of the term of this Agreement after the end of Phase I.
- (t) "Tract Current Production Rate" is defined as the total number of barrels of oil produced from the Unitized Formation under such Tract during the period from July 1, 1967, through December 31, 1967, as officially reported to the Commission.
- (u) "Unit Current Production Rate" is defined as the total Tract Current Production Rate of all Tracts that are qualified under this Agreement in accordance with the provisions hereof.
- (v) "Tract Remaining Primary" is defined as the number of barrels of oil heretofore approved by the Working Interest Owners as the estimated remaining primary oil reserves in the Unitized Formation under such Tract that can be economically recovered

on and after January 1, 1968.

- (w) "Unit Remaining Primary" is defined as the Total Tract Remaining Primary of all Tracts that are qualified under this Agreement in accordance with the provisions hereof.
- (x) "Tract Ultimate Primary" is defined as the total cumulative number of barrels of oil produced from the Unitized Formation under such Tract, prior to January 1, 1968, as officially reported to the Commission, plus the Remaining Primary for such Tract.
- (y) "Unit Ultimate Primary" is defined as the total Tract Ultimate Primary of all Tracts that are qualified under this Agreement in accordance with the provisions hereof.
- (z) "Tract Surface Acres" is defined as the total number of acres within a Tract.
- (aa) "Unit Surface Acres" is defined as the total Tract Surface Acres of all Tracts that are qualified under this Agreement in accordance with the terms hereof.

SECTION 3. EXHIBITS. Exhibit A attached hereto is a map showing the Unit Area, and, to the extent known to the Unit Operator, the boundaries and identity of Tracts and leases in Said Unit Area. Exhibit B attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each Tract, land description, and the percentage and kind of ownership of oil and gas interests in each Tract in the Unit Area. Exhibit C, attached hereto, is a schedule showing the Tract Participation assigned to each Tract during both Phase I and Phase II. However, nothing herein or in said schedules 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 in said map or schedules as owned by such party.

Exhibits A, B, and C shall be revised by the Unit Operator whenever changes render such revision necessary, or when requested by the Supervisor and not less than four copies thereof shall be filed with the Supervisor, and one copy thereof shall be filed in the county records of Lea County, New Mexico.

SECTION 4. EXPANSION. The above-described Unit Area may when practicable be expanded to include therein any additional Tract or Tracts regarded as reasonably necessary or advisable for the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a Tract or Tracts desiring to commit such Tract or Tracts hereto shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest Owner in the Unit and in the Tract or Tracts proposed to be included in the Unit, setting out the basis for admission, the proposed participation (both Phase I and Phase II) to be assigned to each such Tract, and other pertinent data. After negotiation (at Working Interest Owner's meeting or otherwise), if 90 percent (90%) of the Working Interest Owners (on the basis of Unit Participation) have agreed to the addition of such Tract or Tracts, then Unit Operator shall, after preliminary concurrence by the Director:

- (1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract participation (both Phase I and Phase II) to be assigned each such Tract and the proposed effective date thereof, preferably 7:00 a.m. on the first day of a month subsequent to the date of notice; and

- (2) Furnish copies of said notice to the Supervisor, each Working Interest Owner, lessee, and lessor whose interests are affected and advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansion; and
- (3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above, with the Director and the Commission, the following:
 - (i) Evidence of mailing said notice of expansion
 - (ii) An application for such expansion in sufficient number for appropriate approval and distribution; and (iii) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14 (TRACTS QUALIFIED FOR PARTICIPATION) and Section 32 (NON-JOINDER AND SUBSEQUENT JOINDER), infra; and (iv) A copy of any objections received.

The expansion shall, after due consideration of all pertinent information and upon approval by the Supervisor and the Commission, become effective as of the date prescribed in the notice thereof or on such other appropriate date as may be set by the Supervisor and the Commission in the order or instrument approving such expansion. The revised Tract Participation (both Phase I and Phase II) of the respective Tracts committed to the Unit Agreement prior to any such enlargement shall remain in the same ratio one to the other.

SECTION 5. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this Agreement as to the Unitized Formation shall constitute land referred to herein as "Unitized Land" or "Land Subject to this

Agreement." All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons produced from the Unitized Formation underlying Unitized Land are unitized under the terms of this Agreement and herein are called "Unitized Substances."

SECTION 6. UNIT OPERATOR. Anadarko Production Company, a Delaware Corporation, is hereby designated as Unit Operator, and, by signing this instrument as Unit Operator, it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

Unit Operator shall have a lien upon the interests of the owners of Working Interests in the Unitized Land to the extent provided in the Unit Operating Agreement.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners and the Supervisor,

and until all unit wells are placed in a condition satisfactory for suspension, abandonment, or operations, whichever is required by the Supervisor, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator shall, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by parties owning not less than sixty-five (65) percent of the committed Working Interest (on the basis of Unit Participation) exclusive of any Working Interest owned by the Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor.

In all such instances of resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal become effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances; but upon the resignation or removal of Unit Operator becoming effective such Unit Operator shall deliver possession of all wells, equipment, books and records, materials, appurtenances and any other assets used in conducting the Unit Operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unitized Land) to the new

duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected, to be used for the purpose of conducting Unit Operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR . Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator by a majority vote of the Working Interest Owners (on the basis of Unit Participation); provided no Working Interest Owner who has been removed as Unit Operator may vote for self-succession. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator; and (b) the selection shall have been approved by the Supervisor. If no successor Unit Operator is selected and qualified as herein provided, the Director, at his election, may declare this Agreement terminated.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT . Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among, and borne by the Working Interest Owners in accordance with the Unit Operating Agreement; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation

established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Supervisor prior to approval of this Agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. The parties hereto, to the extent they have the right to do so, grant to Unit Operator the use of brine or water, or both, from any formation in and under the Unitized Land for injection into the Unitized Formation. Upon request, acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this Agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. EASEMENTS OR USE OF SURFACE.

(a) The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface

of the Unitized Land as may reasonably be necessary for Unit Operations and the removal of Unitized Substances therefrom; provided that nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant, or camp site.

(b) Working Interest Owners shall have and are hereby granted free use of water from the Unitized Land for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner.

(c) Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

SECTION 12. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and put into effect a secondary recovery project in order to effect the greatest 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 consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, and the Commission inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquid petroleum gases, and any one or more other substances or combination thereof whether produced from the Unitized Formation

or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Commission and the Supervisor monthly injection and production reports for each Unit well. The Working Interest Owners, the Supervisor, and the Commission shall be furnished periodic reports on the progress of the plan of operation. Any revision of the plan of operation involving a deviation from the approved plan of operation shall be subject to consent and approval of the Working Interest Owners, the Supervisor, and the Commission.

The initial plan of operation shall be filed with the Supervisor and the Commission concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor and the Commission may determine to be necessary for timely operation consistent herewith. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like 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.

Notwithstanding anything to the contrary herein contained, if Unit Operator fails to commence Unit Operations for the secondary recovery of Unitized Substances from the Unit Area within six (6) months after the effective date of this Agreement or any extension thereof approved by the Supervisor, this agreement shall terminate automatically upon the expiration of said six

(6) month period. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 13. TRACT PARTICIPATION. In Exhibit C attached hereto, there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation percentages allocated to that Tract, under both Phase I and Phase II, calculated on the basis of all Tracts within the Unit Area being committed to this Agreement as of the effective date hereof. The Tract Participations of each Tract within the Unit Area as set forth in Exhibit C shall govern the allocation of Unitized Substances produced from the Unit Area from and after the effective date hereof, subject to any revision or revisions of the Unit Area or the Exhibits to this Agreement in accordance with the provisions hereof.

The percentage of Tract Participations set forth in Exhibit C for each Tract within the Unit Area have been calculated and determined in accordance with the following factors and formulas:

Phase I

Percentage Participation of each Tract = 50% $\frac{\text{Tract Current Production Rate}}{\text{Unit Current Production Rate}}$

Plus 50% $\frac{\text{Tract Remaining Primary}}{\text{Unit Remaining Primary}}$

Phase II

Percentage Participation of each Tract = 95% $\frac{\text{Tract Ultimate Primary}}{\text{Unit Ultimate Primary}}$

Plus 5% $\frac{\text{Tract Surface Acres}}{\text{Unit Surface Acres}}$

In the event less than all of the Tracts within the Unit Area are committed to this Agreement as of the effective date hereof, Unit Operator shall promptly prepare a revised Exhibit C setting forth opposite each of the qualified Tracts (as determined from SECTION 14, TRACTS QUALIFIED FOR PARTICIPATION), the revised Tract Participations (both Phase I and Phase II) which shall be calculated and determined by using the factors and formulas set forth above, but applying the same only to the qualified Tracts. Unit Operator shall promptly file copies of such revised Exhibit C with the Supervisor; and, unless such revised Exhibit C is disapproved by the Supervisor within sixty (60) days after such filing, the revised Exhibit C shall be effective as of the effective date of this Agreement and shall thereafter govern the allocation of all Unitized Substances, subject, however, to any further revision or revisions of Exhibit C in accordance with the provisions hereof (SECTIONS 3, 4, 31, and 32).

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the effective date hereof the Tracts within the Unit Area which shall be entitled to participate in the production of Unitized Substances shall be those Tracts more particularly described in Exhibit B that corner or have a common boundary (Tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary) and that otherwise qualify as follows:

- (a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties to this Agreement and as to which Royalty Owners owning eighty-five percent (85%) or more of the Royalty Interest therein created by the basic leases have become parties to this Agreement.
- (b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties to this Agreement, and as to which Royalty Owners owning less than eighty-five percent (85%) of the Royalty Interest therein created by the basic leases have become parties to this Agreement, and as to which: (1) All Working Interest Owners in any such Tract have joined in a request for the acceptance of such Tract as qualified for participation under this Agreement, and as to which (2) Eighty percent (80%) of the combined "voting interests" of Working Interest Owners in all Tracts that meet the requirements of Section 14 (a) have voted in favor of the acceptance of such Tract. For the purpose of this Section 14 (b), the "voting interest" of a Working Interest Owner shall be equal to the ratio expressed as a percentage that its Unit Participation in all Tracts that qualify under Section 14 (a) above bears to the total Unit Participation of all Working Interest Owners in all Tracts that qualify under Section 14 (a).
- (c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest therein have become parties to this Agreement, regardless of the percentage of Royalty Interest therein created by the basic leases that is committed hereto; and as to which: (1) The Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this Agreement have joined in a request for acceptance of such Tract, and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners that are parties hereto, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this Agreement, and which arise out of the acceptance of the Tract as qualified for participation under this Agreement; and as to which (2) Eighty percent (80%) of the combined "voting interest" of Working Interest Owners in all Tracts that meet the requirements of Sections 14 (a) and 14 (b) above have voted in favor of the

acceptance of such Tract and to accept the indemnity agreement. For the purpose of this Section 14 (c), the "voting interest" of each Working Interest Owner shall be equal to the ratio expressed as a percentage that its Unit Participation in all Tracts that qualify under Sections 14 (a) and 14 (b) above bears to the total Unit Participation of all Working Interest Owners to all Tracts that qualify under Sections 14 (a) and 14 (b). Upon the acceptance of such a Tract as qualified for participation under this Agreement, the Unit Participation (both Phase I and Phase II) that would have been attributed to the non-subscribing owners of the Working Interest in such Tract, had they become parties to this Agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such Agreements, in proportion to their respective Working Interests in the Tract.

As the objective of this Unit Agreement is to have the lands within the Unit Area operated and entitled to participation under the terms hereof, it is agreed that, notwithstanding anything else herein contained, no joinder shall be considered a commitment to this Unit Agreement unless the Tract involved is qualified pursuant to this Section. The lessee of record shall supplant the Royalty Interest as to Federal lands for qualification purposes under this Section.

If, on the effective date of this Agreement, there is any Tract or Tracts in the Unit Area which have not been qualified as above provided, then such Tract or Tracts shall not be entitled to participate hereunder. Unit Operator, shall, when submitting this Agreement for final approval by the Department, file therewith a schedule of those Tracts which are entitled to participate in the production of Unitized Substances. Said schedule shall set forth opposite each qualified Tract the assigned Tract number, the

lease or assignment number, the owner of record of the lease, and the Tract Participation percentages (both Phase I and Phase II) which shall be computed according to the participation formulas set out in Section 13 (TRACT PARTICIPATION) above.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances unavoidably lost or used in conformity with good operating practices on Unitized Land for drilling, operating, camp, and other production or development purposes and for pressure maintenance) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participation effective hereunder during the respective periods, either Phase I or Phase II, in which such Unitized Substances were produced, as set forth in the then effective schedule of participation in Exhibit C or any revision thereof. The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of whether it be more or less than the amount of actual production of Unitized Substances from the well or wells, if any, on such Tract), shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties executing, consenting to, or ratifying this Agreement entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same

legal force and effect.

No Tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances; and nothing herein contained, except as provided in Section 33 hereof, shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any Tract.

If the Working Interest or the Royalty Interest in any Tract, as of the effective date hereof, or thereafter becomes divided with respect to separate parcels or portions of such Tract, the percentages of Tract Participation (both Phase I and Phase II) assigned to such Tract shall, in the absence of a recordable instrument executed by all owners and fixing the division of ownership, be divided among the owners of such parcels or portions in proportion to the number of surface acres in each parcel or portion.

Subject to the provisions of Section 16 (ROYALTY SETTLEMENT), the Unitized Substances allocated to each Tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain, and operate all necessary facilities for that purpose on Unitized Land, provided the same are so constructed, maintained, and operated as not to interfere with operations carried on pursuant

hereto. Any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party responsible for the payment of such expense.

In the event any party hereto shall fail to take in kind or separately dispose of its proportionate share of the Unitized Substances, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party, and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production; and the account of such party shall be charged therewith as having received such production. Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party ninety (90) days notice of such intended sale. The net proceeds, if any, of the Unitized Substances so disposed of by the Unit Operator shall be paid to the parties entitled thereto.

Any Working Interest Owner receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases affected; and each such party shall hold each other party hereto harmless against all claims, demands, and causes of action for the payment of such Royalty.

If, after the effective date of this Agreement, there is any

Tract or Tracts subsequently committed hereto, as provided in Section 4 (EXPANSION) hereof, or if any Tract or Tracts within the Unit Area not qualified hereunder as of the effective date hereof are subsequently qualified for participation under the provisions of Section 14 (TRACTS QUALIFIED FOR PARTICIPATION) and Section 32 (NON-JOINDER AND SUBSEQUENT JOINDER), or if any Tract is excluded from this Agreement as provided for in Section 31 (LOSS OF TITLE), the schedule of participation (both Phase I and Phase II) as shown in the current Exhibit C shall be revised by the Unit Operator and distributed to the Working Interest Owners and the Supervisor to show the new Tract Participations of all the then qualified Tracts; and the revised Exhibit C, upon approval by the Supervisor, shall govern the allocation of Unitized Substances produced on and after the effective date thereof until the effective date of a new schedule so approved by the Supervisor. In any such revision of Exhibit C pursuant to this paragraph the Phase I and Phase II Tract Participations of the previously qualified Tracts shall remain in the same ratio one to the other.

SECTION 16. ROYALTY SETTLEMENT. The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the Unitized Substances produced from any Tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such Tract; and the Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before

the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands or formations not subject to this Agreement is introduced into the Unitized Formation for use in repressuring, stimulation of production, or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (PLAN OF OPERATION), a like amount of gas, less appropriate deduction for loss from any cause, may be withdrawn from the Unitized Formation royalty free as to dry gas but not as to products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operation or as otherwise may be consented to by the Supervisor as conforming to good petroleum engineering practices. If liquid petroleum gases obtained from lands or formations not subject to this Agreement are introduced into the Unitized Formation for the purpose and under the conditions set forth in the preceding sentence, then part or all of such liquid petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor. The right of withdrawal contained in this Section shall terminate as of the effective date of termination of this Unit Agreement.

All royalty due the Royalty Owners hereunder other than the United State of America shall be computed and paid on the basis of all Unitized Substances allocated to the respective Tract or Tracts of Unitized Land in lieu of actual production from such Tract or Tracts.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all Unitized Substances on the basis of the amounts thereof allocated to Unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation, provided that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the Unitized Land were a single consolidated lease.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a Tract or Tracts within the Unit Area as its interest appears in Exhibit B attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties in the effected Tract or Tracts shall be adjusted accordingly.

SECTION 17. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the

rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 19. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this Agreement.

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary shall, and by his approval hereof, or by the approval hereof by his duly authorized representative does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this Agreement, regardless of whether there is any development of any particular part or Tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling, producing or secondary recovery operations performed hereunder upon any Tract of Unitized Land shall be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land; and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

(c) Suspension of drilling or producing operations on any or all of the Unitized Land pursuant to direction or consent of the Secretary or his duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each Tract of Unitized Land, specified in the suspension order.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas, which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

(f) The segregation of any Federal lease committed to this Agreement is governed by the following provisions in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as to the effective date of unitization: Provided, however, that any such lease as of the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 21. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any

mathematical or clerical errors which might exist in the pertinent exhibits to this Agreement upon approval of such changes by the Supervisor.

SECTION 22. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 23. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 A.M. on the first day of the month next following:

(a) The execution or ratification of this Agreement and Unit Operating Agreement by Working Interest Owners owning a combined Unit

Participation of at least 95 percent (95%), and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least 75 percent (75%) of the Royalty Interest, in said Unit Area; and,

(b) The approval of this Agreement by the Secretary or his duly authorized representative, and the Commission; and, provided, further, that if (a) and (b) above are not accomplished on or before January 1, 1972, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation of at least ninety percent (90%) and such Working Interest Owners have decided to extend said expiration date for a period not to exceed six (6) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a) and (b) are not accomplished on or before said extended expiration date, this Agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of Unit Participation as determined from Exhibit C attached hereto.

(c) Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record in the offices where a counterpart of this Agreement is recorded, a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date.

The term of this Agreement shall be for and during the time that Unitized Substances are or can be produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days and so long thereafter as Unitized Substances can be produced as aforesaid, unless sooner terminated by Working Interest Owners in the manner here and after approved.

This Agreement may be terminated at any other time and for any other reason by the Working Interest Owners owning an aggregate of ninety percent (90%) or more of Unit Participation with the approval of the Commission and the Supervisor. Notice of any such termination shall be given by the Unit Operator to all parties hereto within thirty (30) days after the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts.

Unit Operator shall within thirty (30) days after the termination date of this Agreement, file for record in the office where a counterpart of this Agreement is recorded, a certificate to the effect that this Agreement has terminated according to its terms and stating further the termination date.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute, or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with the authority to alter or modify from time to time in his discretion the quantity and rate of production under this Agreement when such quantity and rate of production under this Agreement is not fixed pursuant to Federal or State law or does not conform to any

statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and the quantity and rate of production under this Agreement, when such alteration or modification is in the interest of attaining the conservation objectives stated in this Agreement and is not in violation of any applicable Federal or State law.

Powers in this Section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

SECTION 25. NON-DISCRIMINATION. In connection with the performance of work under this Agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this Agreement.

SECTION 26. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Department, and to appeal from any order issued under the

rules and regulations of the Department, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 27. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 28. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 29. EQUIPMENT AND FACILITIES - FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has hereto placed and used on its

Tract or Tracts committed to this Agreement various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all purposes of this Agreement, any and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this Agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.

SECTION 30. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

SECTION 31. LOSS OF TITLE. In the event title to any Tract of Unitized Land shall fail so as to render the Tract inoperable under this

Agreement and the true owner cannot be induced to join this Unit Agreement, such Tract shall be automatically regarded as not committed hereto effective as of 7:00 A.M. on the first day after such title failure is determined; and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In such event, Unit Operator shall recompute the Phase I and Phase II Tract Participations of each of the Tracts remaining subject to this Agreement and shall revise Exhibit C accordingly. The revised Exhibit C shall be effective as of the first day of the calendar month in which such failure of title is finally determined. The Phase I and Phase II participation percentages so recomputed for the qualified Tracts shall remain the same ratio one to the other as before the loss of title was determined. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of failure of title shall be governed by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates remains qualified, the parties whose title failed shall not be entitled to share hereunder with respect to such interest. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided that, as to Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited as directed by the Supervisor to be held as un-earned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any

defect or failure of any title hereunder.

SECTION 32. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that Tract who has executed or ratified this Agreement may withdraw said Tract from this Agreement by written notice to the Supervisor and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in Unitized Substances not committed hereto prior to submission of this Agreement to the Supervisor for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (TRACTS QUALIFIED FOR PARTICIPATION) hereof, at any time up to the effective date hereof and for a period of and including six (6) months thereafter, on the same basis of participation as provided in said Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder

as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by Working Interest Owners having a combined unit participation of ninety percent (90%) or more with the approval of the Supervisor. Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner at any time must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinders to this Agreement shall be effective at 7:00 A.M. on the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any Tract or interest to this Agreement, unless objection to such joinder by the Supervisor is duly made within sixty (60) days after such filing.

SECTION 33. OIL IN LEASE TANKAGE ON EFFECTIVE DATE.

Unit Operator shall make a proper and timely gauge of all lease and other tanks on Unitized land in order to ascertain the amount of merchantable oil or other liquid hydrocarbons above the pipeline connection in such tanks as of 7:00 A.M. on the effective date hereof. Any such production which has been produced legally as part of the prior allowable of the well or wells from which produced shall be and remain the property of the Interest Owner

entitled thereto the same as if the Unit had not been formed; and the Working Interest Owner shall promptly remove said oil from Unitized Land. Any such oil not promptly removed shall be sold by Unit Operator for the account of such Working Interest Owner who shall pay all royalty, overriding royalties, production payments, and all other payments under the terms and provisions of the applicable lease or leases and other contracts. All such oil as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the well or wells on that Tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof.

SECTION 34. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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.

SECTION 35. TAXES. Each party hereto shall for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that, if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 36. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained.

SECTION 37. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

SECTION 38. BORDER AGREEMENTS. Subject to the approval of the Supervisor, the Unit Operator with concurrence of seventy percent (70%) of the Working Interest Owners (based on Unit Participation), may enter into a border-protection agreement or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 39. POTASH PROTECTION. No wells will be drilled for oil or gas at a location within the Unit Area which, in the opinion of the Supervisor, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or the abandonment of any well within the Unit Area shall be done in accordance with the applicable oil and gas operating regulations including such requirements as the Supervisor may prescribe as necessary to prevent the infiltration of oil, gas, or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee or Unit Operator must file pursuant to applicable operating regulations (30 CFR Part 221), shall be available for inspection at the office of the Supervisor by any party holding a potash permit or lease on the land on which a well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and have set opposite their respective names the date of execution.

ATTEST:

ANADARKO PRODUCTION COMPANY

By _____

Date: _____

UNIT OPERATOR AND WORKING
INTEREST OWNER

STATE OF TEXAS X
 X
COUNTY OF TARRANT X

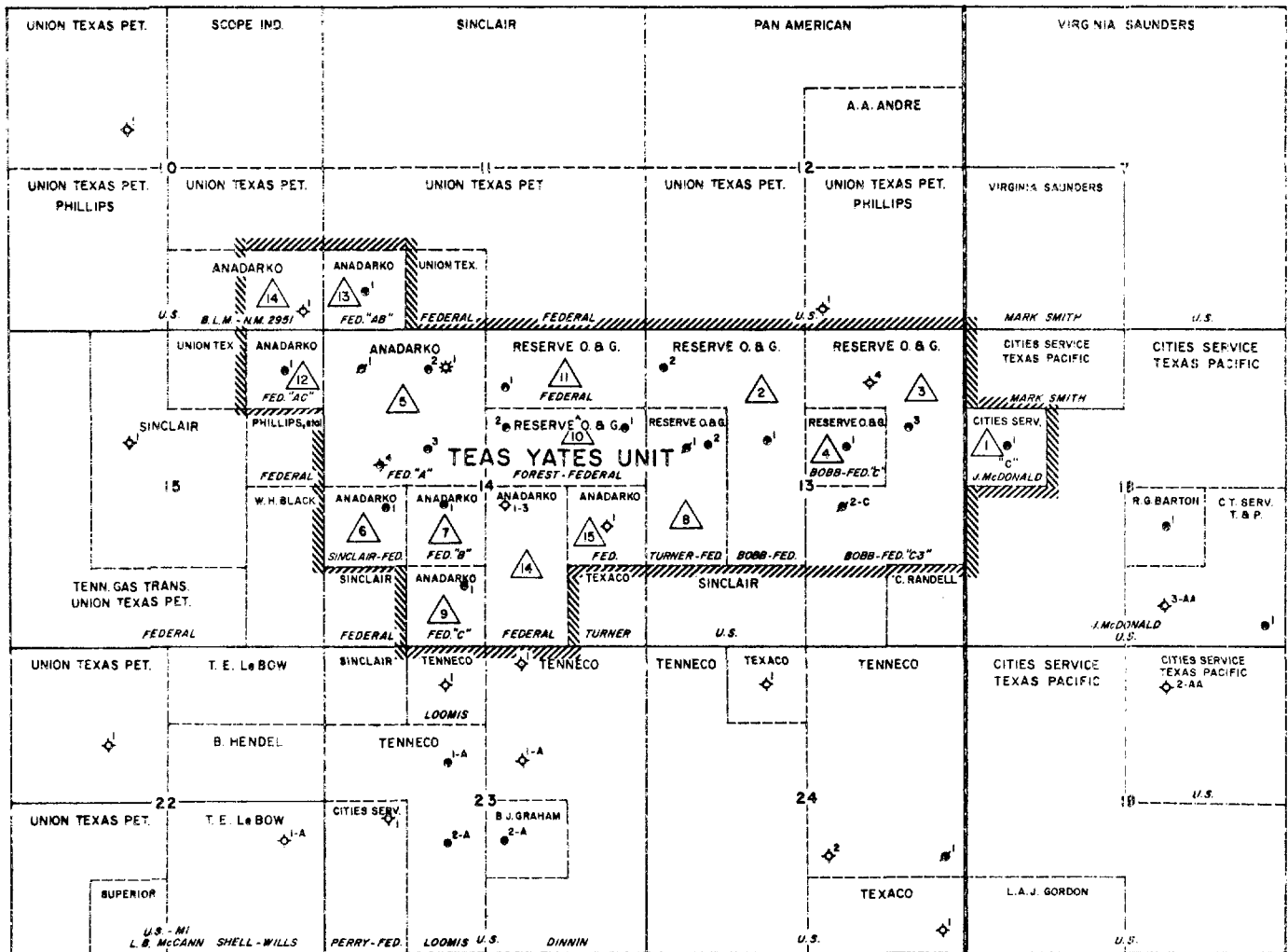
The foregoing instrument was acknowledged before me this _____ day of _____ 1970 by _____, Vice President of Anadarko Production Company, a Delaware Corporation, on behalf of said Corporation.

My Commission Expires:

Notary Public in and for Tarrant
County, Texas

R-33-E

R-34-E



LEGEND

- Oil Well
- ◆ Plugged & Abandoned
- ✱ Temporarily Abandoned
- ◇ Dry & Abandoned
- ⊙ Water Injection Well
- /// Proposed Boundary
- △ Tract Number



**ANADARKO
PRODUCTION COMPANY**

**TEAS YATES UNIT
TEAS FIELD**
LEA COUNTY, NEW MEXICO

PROPOSED UNIT BOUNDARY

EXHIBIT "A" TO UNIT AGREEMENT

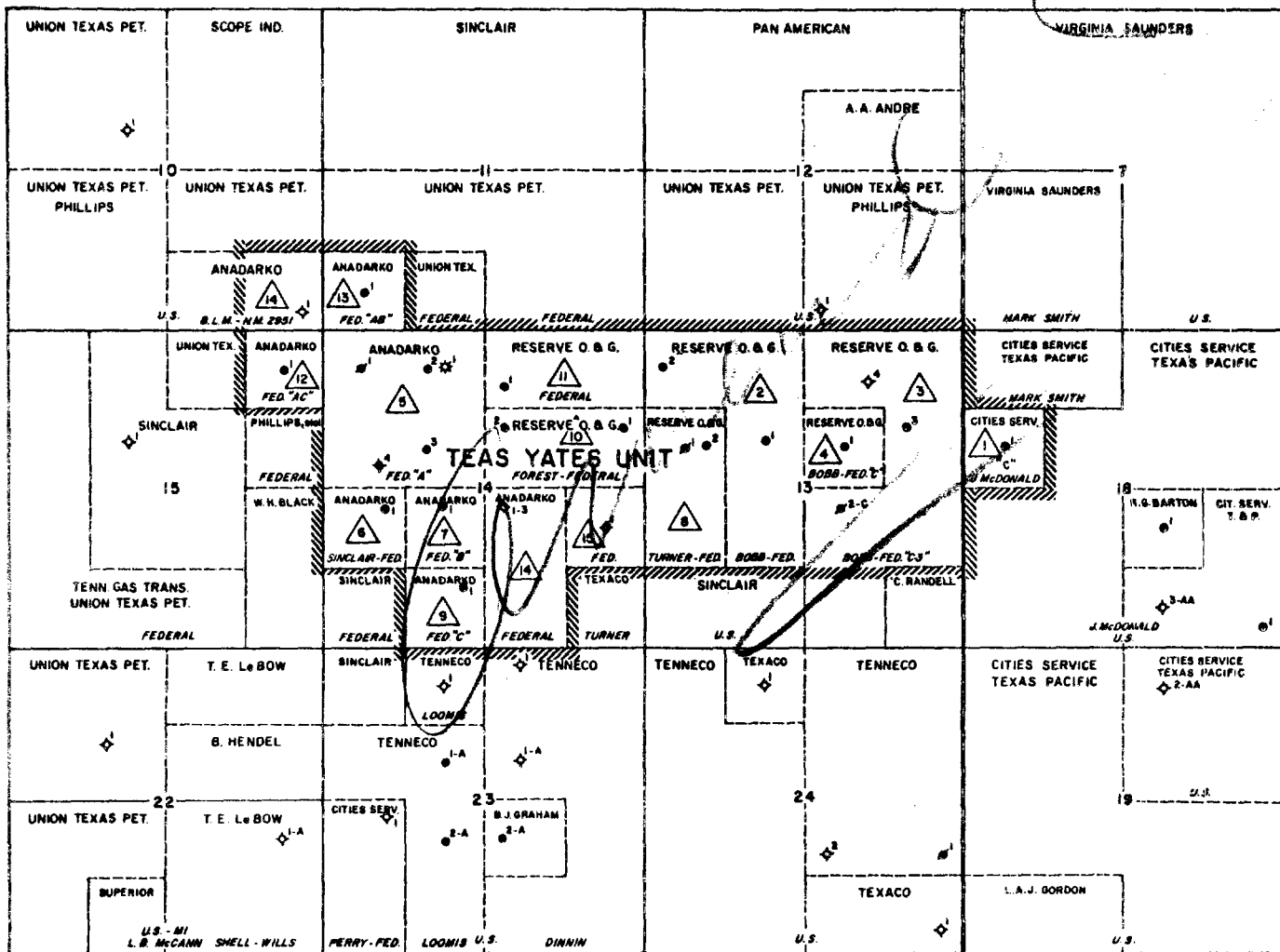
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SCALE FEET

FIRST REVISION

R-33-E

R-34-E



LEGEND

- Oil Well
- ◆ Plugged & Abandoned
- ⊕ Temporarily Abandoned
- ◇ Dry & Abandoned
- ⊙ Water Injection Well
- Proposed Boundary
- △ Tract Number



**ANADARKO
PRODUCTION COMPANY**

**TEAS YATES UNIT
TEAS FIELD**
LEA COUNTY, NEW MEXICO

PROPOSED UNIT BOUNDARY
EXHIBIT "A" TO UNIT AGREEMENT

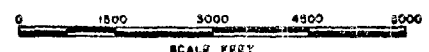


EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	OVERRIDING			WORKING INTEREST		
					RECORD LESSEE	ROYALTY OWNERSHIP	OWNERSHIP	OWNERSHIP AND PERCENTAGE	OWNERSHIP AND PERCENTAGE	OWNERSHIP AND PERCENTAGE
1	T-20-S, R-34-E, N.M.P.M. Section 18: Lot 2	40.01	LC-029512 (b) HBP	U.S.A. (Schedule D)	All	Cities Service Oil Company Texas Pacific Oil Company, Inc.	98.0% 2.0%	None	Cities Service Oil Company Texas Pacific Oil Company, Inc.	98.0% 2.0%
2	T-20-S, R-33-E, N.M.P.M. Section 13: N/2 NW/4, SE/4 NW/4, NE/4 SW/4	160.00	LC-064975 HBP	U.S.A. (12.5%)	All	Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.0% 12.5% 12.5% 12.5% 12.5%	Appendix Note 1	To 3,459' Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.0% 12.5% 12.5% 12.5% 12.5%
3	Section 13: N/2 NE/4, SE/4 NE/4, N/2 SE/4	200.00	LC-065447 HBP	U.S.A. (12.5%)	All	Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.0% 12.5% 12.5% 12.5% 12.5%	Appendix Note 2	To 3,640' Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.0% 12.5% 12.5% 12.5% 12.5%
4	Section 13: SW/4 NE/4	40.00	LC-065447-A HBP	U.S.A. (12.5%)	All	Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.0% 12.5% 12.5% 12.5% 12.5%	Appendix Note 3	To 3,582' Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.0% 12.5% 12.5% 12.5% 12.5%

EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	RECORD LESSEE	OVERRIDING ROYALTY OWNERSHIP	WORKING INTEREST OWNERSHIP AND PERCENTAGE
<u>T-20-S, R-33-E, N.M.P.M.</u>							
5	Section 14: NW/4	160.00	LC-065658 HBP	U.S.A. (12.5%)	All Atlantic Richfield Company	Appendix Note 4	To 4,000' Anadarko Production Company Valley Royalty Corporation 77.96875% 22.03125%
6	Section 14: NW/4 SW/4	40.00	LC-067265-A HBP	U.S.A. (12.5%)	All Atlantic Richfield Company	Appendix Note 5	To 3,528' Anadarko Production Company 100.00000%
7	Section 14: NE/4 SW/4	40.00	LC-067265-A HBP	U.S.A. (12.5%)	All Atlantic Richfield Company	Appendix Note 6	To 4,000' Anadarko Production Company Valley Royalty Corporation 77.96875% 22.03125%
8	Section 13: SW/4 NW/4, NW/4 SW/4	80.00	LC-070311 HBP	U.S.A. (12.5%)	All Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	Appendix Note 7	To 3,430' Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes 50.00000% 12.50000% 12.50000% 12.50000%
9	Section 14: SE/4 SW/4	40.00	LC-070331 HBP	U.S.A. (12.5%)	All Atlantic Richfield Company	Appendix Note 8	To 3,500' Anadarko Production Company 100.00000%
10	Section 14: S/2 NE/4	80.00	NM 0435 HBP	U.S.A. (12.5%)	All Forest Oil Corporation	Appendix Note 9	To 3,441' Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes 50.00000% 12.50000% 12.50000% 12.50000%

EXHIBIT B TO UNIT AGREEMENT
 TLAS YATES UNIT
 LEA COUNTY, NEW MEXICO

SCHEDULE OF OWNERSHIP

TRACT DESCRIPTION NO. OF LAND	NUMBER OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE	RECORD LESSEE	COVERING ROYALTY		WORKING INTEREST	
					OWNERSHIP		OWNERSHIP AND PERCENTAGE	
T-20-S ₄ -R-33-E ₄ -N ₂ M ₂ P ₂ M ₂ - Section 14: N/2 NE/4	80.00	NM 0435 HRP	U.S.A. (12.5%)	All Forest Oil Corporation	Appendix Note 10	To 3,419' Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty P. Hayes	50.00000% 12.50000% 12.50000% 12.50000% 12.50000%	
Section 15: NE/4 NE/4	40.00	NM 01059 HRP	U.S.A. (12.5%)	All Allied Chemical Corporation Texas Pacific Oil Company, Inc. Tenneco Oil Company	5/12 Appendix Note 11	To 4,000' Anadarko Production Company	100.00000%	
Section 11: SW/4 SW/4	40.00	NM 05148 HRP	U.S.A. (12.5%)	All Phillips Petroleum Company Allied Chemical Corporation Texas Pacific Oil Company, Inc.	1/2 Appendix Note 12 5/12 1/12	To 4,000' Anadarko Production Company Phillips Petroleum Company	50.00000% 50.00000%	
Section 10 SE/4 SE/4 Section 14: W/2 SE/4	120.00	NM 2951 8-31-72	U.S.A. (Schedule B)	All Anadarko Production Company	None	Anadarko Production Company	100.00000%	
Section 14: NE/4 SE/4	40.00	NM 12744 11-30-75	U.S.A. (Schedule B)	All Anadarko Production Company	None	Anadarko Production Company	100.00000%	
15 Tracts	1200.01 acres	All Federal Lands						

EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY AND PERCENTAGE		RECORD LESSEE	OVERRIDING ROYALTY OWNERSHIP	WORKING INTEREST OWNERSHIP AND PERCENTAGE	
				U.S.A.	ROYALTY (12.5%)			To 3,419'	To 4,000'
11	T-20-S, R-33-E, N.M.P.M. Section 14: N/2 NE/4	80.00	NM 0435 HBP	U.S.A.	All	Forest Oil Corporation	Appendix Note 10	Reserve Oil and Gas Company E. A. Culbertson Wallace W. Irwin W. O. Anderson Betty F. Hayes	50.00000% 12.50000% 12.50000% 12.50000% 12.50000%
12	Section 15: NE/4 NE/4	40.00	NM 01059 HBP	U.S.A.	All	Allied Chemical Corporation Texas Pacific Oil Company, Inc. Tenneco Oil Company	Appendix Note 11 5/12 1/12 1/2	Anadarko Production Company	100.00000%
13	Section 11: SW/4 SW/4	40.00	NM 05148 HBP	U.S.A.	All	Phillips Petroleum Company Allied Chemical Corporation Texas Pacific Oil Company, Inc.	Appendix Note 12 1/2 5/12 1/12	Anadarko Production Company Phillips Petroleum Company	50.00000% 50.00000%
14	Section 10 SE/4 SE/4 Section 14: W/2 SE/4	120.00	NM 2951 8-31-72	U.S.A.	All	Anadarko Production Company	None	Anadarko Production Company	100.00000%
15	Section 14: NE/4 SE/4	40.00	Unleased					Unleased	

15 Tracts 1200.01 acres - All Federal Lands

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

NOTE 1 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 2

Thelma Bauerdorf and Constance Cartwright, Trustees of the Estate of George F. Bauerdorf, deceased	0.45%
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Affects only the Working Interest of E. A. Culbertson and
Wallace W. Irwin .

Scope Industries	2.50%
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Affects only the Working Interest of Reserve Oil and Gas
Company .

\$11,100,000.00 Production Payment from this tract, other
tracts in the Unit and other tracts not in the Unit to Con-
tinental Illinois National Bank and Trust Company of Chicago
payable out of 41.25%. Affects Working Interest of Reserve
Oil and Gas Company only.

NOTE 2 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 3

Roy G. Barton	1.750%
Wayne Moore	1.125%
Charles R. Turner	1.125%
G. H. Vaughn, Jr.	0.49511%
Jack C. Vaughn	0.49512%
G. H. Vaughn, Jr. and J. C. Vaughn, Trustees	0.33008%

\$11,100,000.00 Production Payment from this tract, other
tracts in the Unit and other tracts not in the Unit to Con-
tinental Illinois National Bank and Trust Company of Chicago
payable out of 41.08984%. Affects Working Interest of Reserve
Oil and Gas Company only.

NOTE 3 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 4

Roy G. Barton	1.75%
Wayne Moore	1.125%
Charles R. Turner	1.125%
Scope Industries	0.500%

Scope Industries' overriding royalty affects only the Working
Interest of Reserve Oil and Gas Company.

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

NOTE 3 CONTINUED

\$11,100,000.00 Production Payment from this tract, other tracts in the Unit and other tracts not in the Unit to Continental Illinois National Bank and Trust Company of Chicago payable out of 41.25%. Affects Working Interest of Reserve Oil and Gas Company only.

NOTE 4 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 5

Nanabelle C. Mahaffey	1%
Isabelle Aid	2%
Jack Burson	1%
Sinclair Oil and Gas Company	4.375%
Reduced to 1% when average daily production per well is 15 barrels of oil or less.	

\$6,750.00 Production Payment to G. D. Simon payable out of $3/16$ ths x $1/16$ th x 79.125%. This affects Anadarko Production Company Working Interest only. This Production Payment affects this tract and other tracts in the Unit area.

\$50,000.00 Production Payment to Carl Engwall and wife, Ruth Engwall; Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 51% of 60.76554%. Affects Anadarko Production Company Working Interest only. This Production Payment affects this tract and other tracts in the Unit area.

\$150,000.00 Production Payment effective after above \$50,000.00 Production Payment is liquidated to Carl Engwall and wife, Ruth Engwall, Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 2%. Affects Anadarko Production Company Working Interest only. This Production Payment affects this tract and other tracts in the Unit area.

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

NOTE 5 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 6

Hazel L. Gentle and Glenn L. Gentle	0.5%
John A. Barnett	1.5%
Ernest A. Hanson	1.5%
Roy L. Flood	1.5%
Sinclair Oil and Gas Company	10.0%

\$50,000.00 Production payment to Carl Engwall and wife, Ruth Engwall; Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 51% x 72.5%. This Production Payment affects this tract and other tracts in the Unit area.

\$150,000.00 Production Payment effective after above \$50,000.00 Production Payment is liquidated, to Carl Engwall and wife, Ruth Engwall; Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 2%. This Production Payment affects this tract and other tracts in the Unit area.

NOTE 6 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 7

Hazel L. Gentle and Glenn R. Gentle	0.5%
John A. Barnett	1.5%
Ernest A. Hanson	1.5%
Roy L. Flood	1.5%
Sinclair Oil and Gas Company	4.375%

Reduced to 1% when average daily production
per well is 15 barrels or less.

\$6,750.00 Production Payment to G. D. Simon payable out of 3/16ths x 1/16th x 78.125%. Affects this tract and other tracts in the Unit area, and affects Working Interest of Anadarko Production Company only.

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT

LEA COUNTY, NEW MEXICO

NOTE 6 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 7 CONTINUED

\$50,000.00 Production Payment to Carl Engwall and wife, Ruth Engwall, Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 51% of 59.99756%. Affects Anadarko Production Company Working Interest only. This Production Payment affects this tract and other tracts in the Unit area.

\$150,000.00 Production Payment, effective after above \$50,000.00 Production Payment is liquidated, to Carl Engwall and wife, Ruth Engwall; Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 2%. Affects Anadarko Production Company Working Interest only. This Production Payment affects this tract and other tracts in the Unit area.

NOTE 7 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 8

	(1)	(2)
W. O. Anderson	0.54981%	0.12500%
E. A. Culbertson	0.54981%	0.12500%
Betty F. Hayes	0.54981%	0.12500%
Wallace W. Irwin	0.54981%	0.12500%
C. V. Lyman	1.50000%	0.12500%
Wayne Moore	2.73438%	1.25000%
Scope Industries	2.19922%	0.50000%
Charles R. Turner	2.73438%	1.25000%
G. H. Vaughn, Jr.	0.49560%	
G. H. Vaughn, Jr. and J. C. Vaughn, Trustees	0.14159%	
Jack C. Vaughn	0.49559%	

\$11,100,000.00 Production Payment from this tract, other tracts in the Unit and other tracts not in the Unit to Continental Illinois National Bank and Trust Company of Chicago payable out of 41.25% when average daily production per well is less than 15 barrels of oil per day, and out of 37.5% when average daily production per well per day is 15 barrels of oil or more. Affects Working Interest of Reserve Oil and Gas Company only.

- (1) When average daily production per well is 15 or more barrels of oil per day.
(2) When average daily production per well is less than 15 barrels of oil per day.

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

NOTE 8 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 9

Western Oil Fields, Inc.

5.0%

\$6,750.00 Production Payment to G. D. Simon payable out of $3/16\text{ths} \times 1/16\text{th} \times 82.5\%$. This Production Payment affects this tract and other tracts in the Unit area.

\$50,000.00 Production Payment to Carl Engwall and wife, Ruth Engwall; Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of $51\% \times 81.58447\%$. This Production Payment affects this tract and other tracts in the Unit area.

\$150,000.00 Production Payment, effective after above \$50,000.00 Production Payment is liquidated, to Carl Engwall and wife, Ruth Engwall; Max W. Coll II and wife, Martha M. Coll, and Yvona A. Stephens, Individually and as Executrix of the Estate of James R. Stephens, deceased, payable out of 2%. This Production Payment affects this tract and other tracts in the Unit area.

NOTE 9 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 10

	(1)	(2)
Forest Oil Corporation	5.46875%	5%

\$11,100,000.00 Production Payment from this tract, other tracts in the Unit and other tracts not in the Unit to Continental Illinois National Bank and Trust Company of Chicago payable out of 41.015625%. Affects Working Interest of Reserve Oil and Gas Company only.

- (1) When average daily production per well is 15 or more barrels of oil per day.
(2) When average daily production per well is less than 15 barrels of oil per day.

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

NOTE 10 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 11

	(1)	(2)
W. O. Anderson	0.58593%	
E. A. Culbertson	0.58594%	
Betty F. Hayes	0.58593%	
Wallace W. Irwin	0.58594%	
Scope Industries	2.34376%	
Charles R. Turner and Wayne Moore	5.46875%	5.00000%
G. H. Vaughn, Jr.	0.68360%	
G. H. Vaughn, Jr. and J. C. Vaughn, Trustees	0.19532%	
Jack C. Vaughn	0.68359%	

\$11,100,000.00 Production Payment from this tract, other tracts in the Unit and other tracts not in the Unit to Continental Illinois National Bank and Trust Company of Chicago payable out of 41.25% when average daily production per well is less than 15 barrels of oil per day, and out of 37.89063% when average daily production per well is 15 barrels of oil or more. Affects Working Interest of Reserve Oil and Gas Company only.

- (1) When average daily production per well is 15 or more barrels of oil per day.
(2) When average daily production per well is less than 15 barrels of oil per day.

NOTE 11 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 12

Albuquerque National Bank, Testamentary Trustee for the Estate of F. A. Andrews, deceased	0.23147%
Selma E. Andrews	0.26853%
Boys Clubs of America	0.38750%
Fred H. Campbell	0.12500%
C. J. Dexter	0.25000%
Elks National Foundation	0.38750%
Patrick J. Leonard	0.64583%
Robert J. Leonard	0.64583%
Timothy T. Leonard	0.64583%
Marshall & Winston, Inc.	0.12500%
New Mexico Boys Ranch, Inc.	0.38750%
Regents of the University of New Mexico	0.38750%
Shattuck School	0.38750%
David Wallace and/or E. B. Noble	0.12501%

APPENDIX TO EXHIBIT B TO UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

NOTE 11 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 12 CONTINUED

\$460,132.50 Production Payment to Marian C. Welch payable out of 1/16th x 82.5% from this tract 12 and other tracts outside of the Unit area.

\$6,750.00 Production Payment to G. D. Simon payable out of 3/16ths x 1/16th x 7/8ths. This Production Payment affects this tract and other tracts in the Unit area.

\$10,000.00 Production Payment out of 5/12ths x 50% x 68.75% to Allied Chemical Corporation.

NOTE 12 - OVERRIDING ROYALTY AND PRODUCTION PAYMENT OWNERSHIP
UNDER TRACT 13

Peter L. Rapkoch and wife, Eppie Rapkoch	0.21000%
U. Vera Cox Haefs and Vera Lee Cox Robinson	0.04000%
Lillian Hinkle Coll	0.31250%
George W. Etz	0.06250%
Albuquerque National Bank, Testamentary Trustee of the Estate of F. A. Andrews, deceased, and Selma E. Andrews	0.37500%
Southern Petroleum Exploration, Inc.	0.25000%
Gilbert C. Wheat and wife, Gertrude Wheat	0.12500%
David Bond Kyte and The Bank of California National Association, Trustee	0.12500%
Higgins Trust, Inc.	0.37500%

\$10,000.00 Production Payment out of 5/12ths x 50% x 35.677053% to Allied Chemical Corporation. Affects only Anadarko Production Company Working Interest.

EXHIBIT C
TO
UNIT AGREEMENT
TEAS YATES UNIT
LEA COUNTY, NEW MEXICO

<u>Tract Number</u>	<u>Tract Description</u>	<u>Tract Participation Percentage</u>	
		<u>Phase I</u>	<u>Phase II</u>
	<u>T. 20 S., R. 34 E., N.M.P.M.</u>		
1	Sec. 18: Lot 2	7.998385	3.636126
	<u>T. 20 S., R. 33 E., N.M.P.M.</u>		
2	Sec. 13: $N\frac{1}{2}NW\frac{1}{4}$, $SE\frac{1}{4}NW\frac{1}{4}$, $NE\frac{1}{4}SW\frac{1}{4}$	20.961462	16.764454
3	Sec. 13: $N\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}NE\frac{1}{4}$, $N\frac{1}{2}SE\frac{1}{4}$	11.798803	5.745132
4	Sec. 13: $SW\frac{1}{4}NE\frac{1}{4}$	29.404320	9.786063
5	Sec. 14: $NW\frac{1}{4}$	6.202740	21.784813
6	Sec. 14: $NW\frac{1}{4}SW\frac{1}{4}$	2.913242	0.530458
7	Sec. 14: $NE\frac{1}{4}SW\frac{1}{4}$	3.853266	12.611875
8	Sec. 13: $SW\frac{1}{4}NW\frac{1}{4}$, $NW\frac{1}{4}SW\frac{1}{4}$	6.258741	5.846204
9	Sec. 14: $SE\frac{1}{4}SW\frac{1}{4}$	3.986088	3.790705
10	Sec. 14: $S\frac{1}{2}NE\frac{1}{4}$	3.410352	9.549372
11	Sec. 14: $N\frac{1}{2}NE\frac{1}{4}$	1.817930	3.330514
12	Sec. 15: $NE\frac{1}{4}NE\frac{1}{4}$	0.825701	3.256863
13	Sec. 11: $SW\frac{1}{4}SW\frac{1}{4}$	0.568970	2.700760
14	Sec. 10: $SE\frac{1}{4}SE\frac{1}{4}$ Sec. 14: $W\frac{1}{2}SE\frac{1}{4}$	0	0.499996
15	Sec. 14: $NE\frac{1}{4}SE\frac{1}{4}$	0	0.166665
Totals		100.000000	100.000000