

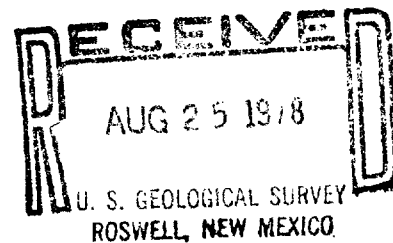
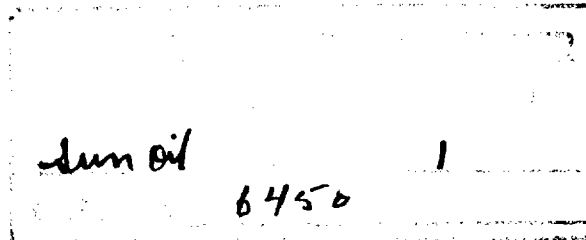
SUN OIL COMPANY

SUN OIL COMPANY

Date of Hearing: 2-14-79

Docket No.: 6450

Exhibit # 1



UNIT AGREEMENT
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

April 1, 1978

UNIT AGREEMENT
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

<u>SECTION</u>	<u>INDEX</u>	<u>PAGE</u>
	Preliminary Recitals	1
1	Enabling Act and Regulations	2
2	Unit Area and Definitions.	2
3	Exhibits	4
4	Expansion	5
5	Unitized Land	6
6	Unit Operator	6
7	Resignation or Removal of Unit Operator.	6
8	Successor Unit Operator	7
9	Accounting Provisions and Unit Operating Agreement	8
10	Rights and Obligations of Unit Operator	8
11	Plan of Operations	8
12	Use of Surface and Use of Water.	9
13	Tract Participations	9
14	Tracts Qualified for Participations.	11
15	Allocation of Unitized Substances.	12
16	Outside Substances	14
17	Royalty Settlement	14
18	Rental Settlement	15
19	Conservation	16
20	Drainage	16
21	Leases and Contracts Conformed and Extended.	16
22	Covenants Run With Land.	18
23	Effective Date and Term.	18
24	Rate of Prospecting, Development and Production.	19
25	Nondiscrimination.	19
26	Appearances.	20
27	Notices	20
28	No Waiver of Certain Rights.	20
29	Equipment and Facilities Not Fixtures Attached to Realty.	20
30	Unavoidable Delay	20
31	Loss of Title	21
32	Nonjoinder and Subsequent Joinder	21
33	Counterparts	22
34	Joinder in Dual Capacity	22
35	Taxes	22
36	No Partnership	22
37	Production as of the Effective Date.	23

Exhibit "A" (Map of Unit Area)
Exhibit "B" (Schedule of Ownership)
Exhibit "C" (Schedule of Tract Participation)
Exhibit "D" (Section 202 of Executive Order 11246)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of April, 1978, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "Parties hereto";

WITNESSETH:

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 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 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Section 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 Ann.) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. and 1953 Ann.) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; 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) to approve this Agreement, and the conservation provisions hereof; and

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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, to 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 and the promises herein contained, the parties hereto commit to this Agreement their respective interests in the unitized formation of 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. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands described in Exhibit "B" and depicted on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area, containing 900 acres, more or less, in Eddy County, New Mexico.

(b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America, or his duly authorized delegate.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the area in which the Unit Area is situated.

(h) "Unitized Formation" shall mean that subsurface portion of the Unit Area commonly known as the Queen-Grayburg formation, which is the continuous stratigraphic interval occurring between the base of the Seven Rivers formation and the top of the San Andres formation, and which is the same formation that was encountered between the logged depths of 1687' (subsea elevation + 1735') and 2490' (subsea elevation of +932') in Maralow, Inc.'s (formerly Ralph Lowe) State "OG 272" #4, as shown on the Schlumberger Simultaneous Gamma Ray - Neutron log of said well dated September 6, 1959, which well is located 1980' FSL and 660' FWL of Section 12, T-19-S, R-28-E, Eddy County, New Mexico.

(i) "Unitized Substances" are all oil, gas gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquifiable hydrocarbons within and produced from the Unitized Formation, of the Unitized Land.

(j) "Tract" is each parcel of land described as such and given a Tract number in Exhibit "B".

(k) "Tract Participation" is defined as the percentage of participation shown on Exhibit "C" for allocating Unitized Substances to a Tract under this Agreement.

(l) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract.

(m) "Working Interest" is 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, which 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 and operations thereof hereunder. Provided that any royalty interest created out of a working interest subsequent to the execution of this Agreement by the owner of the working interest shall continue to be subject to such working interest burdens and obligations.

(n) "Working Interest Owner" is any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise. The owner of Oil and Gas Rights that are free of lease or other instrument creating a Working Interest in another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(o) "Royalty Interest" or "Royalty" is 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 by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for the produce Unitized Substances.

(p) "Royalty Owner" is the owner of a Royalty Interest.

(q) "Unit Operating Agreement" is the agreement entered into by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be styled "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico".

(r) "Oil and Gas Rights" is the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(s) "Outside Substances" is any substance obtained from any source other than the Unitized Formation and injected into the Unitized Formation.

(t) "Unit Manager" is any person or corporation appointed by Working Interest Owners to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 7 hereof.

(u) "Unit Operator" is the party designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations.

(v) "Unit Operations" is any operation conducted pursuant to this Agreement and the Unit Operating Agreement.

(w) "Unit Equipment" is all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(x) "Unit Expense" is all cost, expense, or indebtedness incurred pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

SECTION 3. EXHIBITS. Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each Tract, percentages and kind of ownership of oil and gas interests in all land in the Unit Area. Exhibit "C" attached hereto shows the Tract Participation of each Tract in the

Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibit "D" attached hereto is the provisions of paragraphs 1 through 7 of Section 202 of Executive Order 11246. Exhibits, "A", "B" and "C" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary or when requested by the Supervisor, and copies of such revision shall be filed with the Land Commissioner, and not less than five copies shall be filed with the Supervisor.

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 bring such Tract or Tracts into this unit, 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 Area and in the Tract proposed to be included in the unit, setting out the basis for admission, the Tract Participation to be assigned to each Tract in the enlarged Unit Area and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if at least three Working Interest Owners having in the aggregate eighty percent (80%) Unit Participation then in effect have agreed to inclusion of such Tract or Tracts in the Unit Area, then Unit Operator shall:

(1) After obtaining preliminary concurrence by the Director, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefore the basis for admission of the additional Tract or Tracts, the Tract Participation to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the Land Commissioner, the Supervisor, each Working Interest Owner and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection 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 Land Commissioner and Supervisor the following: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for approval of such expansion; (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, and Section 32, *infra*; and (d) A copy of all objections received along with the operators response thereto.

The expansion shall, after due consideration of all pertinent information and approval by the Land Commissioner and the Supervisor, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of notice. The revised Tract Participation of the respective Tracts included within the Unit Area prior to such enlargement shall remain the same ratio one to another.

SECTION 5. UNITIZED LAND. 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". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as defined in Section 2(h) of this Agreement.

SECTION 6. UNIT OPERATOR. Sun Oil Company (Delaware) is hereby designated the Unit Operator, and by signing this instrument as Unit Operator 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, when such interests are owned by it and the term "Working Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

Unit Operator shall have a lien upon interests of Working Interest Owners in the Unit Area 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, the Land Commissioner and 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 resignation or removal of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation or removal.

The Unit Operator shall be subject to removal by Working Interest Owners having in the aggregate seventy-five percent (75%) or more Unit Participation then in effect exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Land Commissioner and the Supervisor.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter pro-

vided, 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 becomes 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 connection with the Unit Operations and owned by the Working Interest Owners 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 the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from 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 as herein provided. 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 Land Commissioner and the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Land Commissioner and/or the Director, at their election may declare this Agreement terminated.

In selecting a successor Unit Operator the affirmative vote of three or more Working Interest Owners having a total of sixty-five percent (65%) or more of the total Unit Participation shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one or more other Working Interest Owners having a total Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of the owners of at least seventy-five percent (75%) of the Unit Participation remaining after excluding the Unit Participation of Unit Operator so removed.

SECTION 9. ACCOUNT 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. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this 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. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Land Commissioner and with the Supervisor as required 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. 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. PLAN OF OPERATIONS. 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 and that the object and purpose of this Agreement is to formulate and to put into effect an improved recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. 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, the Land Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gases and any one or more other substances or combination of substances whether produced from the Unitized Land or not, and that the location of input wells and the rates of injection therein shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval the Plan of Operation may be revised as conditions may warrant.

The initial Plan of Operation shall be filed with the Supervisor, the Land Commissioner and the Commission concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operations and all revisions thereof shall be as complete and adequate as the Supervisor, the Land Commissioner and the Commission may determine to be necessary for timely operation consistent herewith. Said initial plan shall provide for the injection of the residue gas produced from the Unitized Formation commencing within twelve months from the effective date hereof and continuing until such time as the initial plan is terminated or modified by a subsequent plan with the approval of all necessary parties, including the Supervisor, the Land Commissioner and the Commission. Upon approval of this Agreement and the initial plan by the Supervisor and Commissioner, said plan, and all subsequently approved plans shall constitute the operating obligations of the Unit Operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit the like approval a plan for an additional specified period of operation. After such operations are commenced, reasonable diligence shall be exercised by the Unit Operator in complying with the obligations of the approved Plan of Operation.

SECTION 12. USE OF SURFACE AND USE OF WATER. The parties have to the extent of their rights and interests, hereby granted to Unit Operator the right to use as much of the surface of the Unitized Land as may reasonably be necessary for Unit Operations; provided that nothing herein shall be construed as leasing or otherwise conveying to the Unit Operator a site for water, gas injection or other plants or camp site.

Unit Operator shall have free use of water or brine or both from the Unitized Land for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a surface Owner, unless approval for such use is granted by the surface Owner.

Unit Operator shall pay the Owner for damages to growing crops, timber, fences, improvements and structures on the Unitized Land that result from Unit Operations.

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, during Phase I and Phase II of Unit Operations if all Tracts in the Unit Area qualify as provided herein. The Phase I and

Phase II Tract Participations of each Tract as shown in Exhibit "C" were determined in accordance with the following formulas:

Tract Participation during Phase I: $50\% A + 50\% B$
Phase II: $100\% C$

Where A = Ratio of the oil production from each Tract to the summation of the oil production from all Tracts during the period January 1, 1976 to January 1, 1977.

B = Ratio of the number of barrels of remaining primary oil reserves from each Tract to the summation of barrels of remaining primary oil reserves from all Tracts as determined by technical committee feasibility study dated June 2, 1977.

C = Ratio of the number of barrels of ultimate primary oil reserves from each Tract to the summation of barrels of ultimate primary oil reserves from all Tracts as determined by technical committee feasibility study dated June 2, 1977.

Phase I shall begin on the Effective Date of this Agreement and continuing until the first day of the calendar month next following the date on which the total number of barrels of oil produced from the Unitized Formation underlying all Tracts described in the original Exhibit "B" subsequent to January 1, 1977 hereof exceeds 265,423 barrels as determined from the official production reports (currently known as C-115 reports) filed with the New Mexico Conservation Commission. Phase II shall begin with the termination of Phase I and continue for the remainder of the term of this Agreement.

In the event less than all Tracts are qualified on the Effective Date hereof, the Tract Participations shall be calculated on the basis of all such qualified Tracts rather than all Tracts in the Unit Area. The total number of barrels of oil to be produced before Phase II begins shall remain at 265,423 barrels; however, oil produced from all Tracts within the Unit Area, qualified as well as non-qualified Tracts, shall count toward the required total of 265,423 barrels.

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date hereof the Tracts within the Unit Area which shall be entitled to participation 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 have become parties to this Agreement and as to which Royalty Owners owning seventy-five percent (75%) or more of the Royalty Interest have become parties to this Agreement.

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this Agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest have become parties to this Agreement, and as to which (1) the Working Interest Owner who operates the Tract and at least seventy-five percent (75%) of all other Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract, and as to which (2) owners of seventy-five percent (75%) of the combined Phase I Unit Participation in all Tracts that meet the requirements of Section 14 (a) above have voted in favor of the inclusion of such tract.

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this Agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working Interest Owner who operates the Tract and a total of seventy-five percent (75%) or more of the other Working Interest Owners in such Tract who have become parties to this Agreement have joined in a request for inclusion of such Tract, and have executed and delivered, or obligated themselves to execute and deliver, an indemnity agreement indemnifying and agreeing to hold harmless the other owners of committed Working Interests, their successors and assigns, against all claims and demands that may be made by the owners of Working Interest in such Tract who are not parties to this Agreement, and which arise out of the inclusion of the Tract; and as to which (2) the owners of seventy-five percent (75%) of the Unit Participation in all Tracts that meet the requirements of Section 14 (a) and 14 (b) have voted in favor of the inclusion of such tract and to accept the indemnity agreement. Upon the inclusion of such a Tract, the Tract Participations

which would have been attributed to the non-subscribing owners of 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, and joined in the indemnity agreement, in proportion to their respective Working Interests in the Tract.

If on the Effective Date of this Agreement there is any Tract or Tracts which have not been effectively committed to or made subject to this Agreement by qualifying 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 Land Commissioner and the Supervisor, file therewith a schedule of those Tracts which have been committed and made subject to this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set forth opposite each such committed Tract the lease number or assignment number, the owner of record of the lease, and the percentage participation of such Tract which shall be computed according to the participation formula set out in Section 13 (Tract Participation) above. This schedule of participation shall be Revised Exhibit "C" and upon approval thereof by the Land Commissioner and the Supervisor shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Land Commissioner and Supervisor.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the Supervisor) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "C". 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 the 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 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 Tracts, 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.

If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned now or hereafter in severalty by different persons, the Tract Participation during both Phase I and Phase II shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

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. Subject to Section 17 hereof, 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 therefor under the controlling lease or contract. In the event any Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation currently as and when produced, then so long as such condition continues, Unit Operator, for the account and at the expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing the operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such production at itself or to others on a day-to-day basis, provided that all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year, and at not less than the prevailing market price in the area for like production, and the account of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner sixty (60) days notice of such intended sale.

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, overriding royalty and production payments due thereon, and each such party shall hold each other Working Interest Owner harmless against all claims, demands and causes of action by owners of such Royalty, overriding royalty and production payments.

If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any Tract or Tracts within the Unit Area not committed hereto as of the Effective Date hereof but which are subsequently committed hereto under the provisions of Section 14 (Tracts Qualified for Participation) and Section 32 (Nonjoinder 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 as shown in Exhibit "C", shall be revised by the Unit Operator; and the revised Exhibit "C", upon approval by the Land Commissioner and the Supervisor, shall govern the allocation of production on and after the effective date thereof until a revised schedule is approved as hereinabove provided.

If the Unit Area is enlarged, the revised Tract Participations of the Tracts which were within the Unit Area prior to the enlargement shall remain in the same ratio one to another.

SECTION 16. OUTSIDE SUBSTANCES. If gas obtained from formations not subject to this Agreement is introduced into the Unitized Formation for use in repressuring, stimulating of production or increasing ultimate recovery which shall be in conformity with a Plan of Operation first approved by the Land Commissioner and the Supervisor, a like amount of gas with appropriate deduction for loss or depletion from any cause may be withdrawn from unit wells completed in the Unitized Formation royalty free as to dry gas, but not royalty free as to the 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 or prescribed by the Land Commissioner and the Supervisor as conforming to good petroleum engineering practices and provided further that such right of withdrawal shall terminate on the termination date of this Agreement.

SECTION 17. ROYALTY SETTLEMENT. The State of New Mexico and United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the 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 Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty 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 on Unitized Substances as allocated to each Tract in accordance with the terms of this Agreement. With respect to Federal leases committed hereto on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations pertaining to Federal leases as though the committed Tracts were included in a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline runs per well from such Tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon capable of producing Unitized Substances as of the Effective Date hereof, provided that any Tract not having any well so capable of producing Unitized Substances on the Effective Date hereof shall be considered as having one such well for the purpose of this provision.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective Tract or Tracts committed hereto, in lieu of actual production from such Tract or Tracts.

Each Royalty Owner (Other than the State of New Mexico and 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 interests of all parties shall be adjusted accordingly.

SECTION 18. 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 for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. 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 such rental or minimum Royalty is waived, suspended or reduced by law or by approval of the Secretary of his duly authorized representative.

SECTION 19. 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 20. 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.

The Unit Operator, upon approval by the Working Interest Owners, the Supervisor and the Land Commissioner, is hereby empowered to enter into a border line agreement or agreements with working interest owners of adjoining lands not subject to this Agreement with respect to operation in the border area for the maximum economic recovery, conservation purposes and proper protection of the parties and interest affected.

SECTION 21. 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 and the Land Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of Federal and State 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 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 improved recovery operations performed hereunder shall be deemed to be performed upon and for the benefit of each Tract, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Land Commissioner and the Secretary, or their duly authorized representatives, shall be deemed to constitute such suspension to such direction or consent as to each Tract of unitized lands.

(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) Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(f) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or improved recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(g) The segregation of any Federal lease committed to this Agreement is governed by the following provision 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 of the Effective Date of unitization; provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term

thereof but 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 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 or 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 or 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 on the first day of the calendar month next following the approval of this Agreement by the Supervisor, the Land Commissioner and the Commission.

If this Agreement does not become effective on or before December 1, 1979, it 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 Phase I Participation of at least eighty percent (80%), and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend said expiration date for a period not to exceed six months (hereinafter called "extended expiration date"). If said expiration date is so extended and this Agreement does not become effective on or before said extended expiration date, it shall ipso facto expire on said extended expiration date and thereafter be of no further force or effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office 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 produced from the unitized land so long thereafter as drilling, reworking or other operations (including improved recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the Land Commissioner and the Supervisor and by Working Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable, or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Eddy County, New Mexico, within thirty (30) days of 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 just as if this Agreement had never been entered into.

If not otherwise provided by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six 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. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, 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; provided, further, that no such alternation or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Land Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this Agreement or to the quantity and rate of production from such lands in the absence of specific written approval thereof by the Commission.

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, and thereafter subject to administrative appeal before becoming final.

SECTION 25. NONDISCRIMINATION. Unit Operator in connection with the performance of work under this Agreement relating to leases of the United States agrees to comply with the clauses set forth in Exhibit "D" attached hereto and made a part hereof.

SECTION 26. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any interests affected hereby before the Land Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Land Commissioner, the Department or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Land Commissioner, the Department or the Commission 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 or registered 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 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; provided, however, each party hereto covenants that it will not resort to any action to partition the unitized land or the Unit Equipment.

SECTION 29. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore 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 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 such equipment and personal property shall be and remain personal property of the Working Interest Owners for all purposes.

SECTION 30. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue improved 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 Agreement, such Tract shall be automatically regarded as not committed hereto as of the first day of the calendar month in which the failure of title 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 the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Land Commissioner and/or the Supervisor (as the case may be), to be held as unearned 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. NONJOINDER AND SUBSEQUENT JOINDER. 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 this 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 Agreement.

Any oil or gas interest in the Unitized Formations not committed hereto prior to submission of this Agreement to the Land Commissioner and 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 on the same basis of participation as provided in said Section 14, 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 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 owning not less than sixty-five percent (65%) of the Unit Participation then in effect,

and approved by the Land Commissioner and Supervisor. Such subsequent joinder by a proposed Working interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement and, where State or Federal land is involved, such Joinder must be approved by the Land Commissioner or Supervisor. Such Joinder by a proposed Royalty Owner 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 joinder to this Agreement shall be effective as of the first day of the month following the filing with the Land Commissioner and 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 Land Commissioner or the Supervisor is duly made sixty (60) days after such filing.

SECTION 33. 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 land within the above described Unit Area.

SECTION 34. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party; provided, that if the party is the owner of a Working Interest, he must also execute the Unit Operating Agreement.

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 of 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 taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership

duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the unitized land in order to ascertain the amount of merchantable oil above the pipe line connection in such tanks as of the effective date hereof. All such oil which has then been produced in accordance with established allowables shall be and remain the property of the Interest Owner entitled thereto, the same as if the unit had not been formed; and the responsible Working Interest Owner shall promptly remove said oil from the unitized land. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after Effective Date hereof.

If, as of the Effective Date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of over-production has been sold or otherwise disposed of, such over-production shall be regarded as a part of the Unitized Substances produced after the Effective Date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

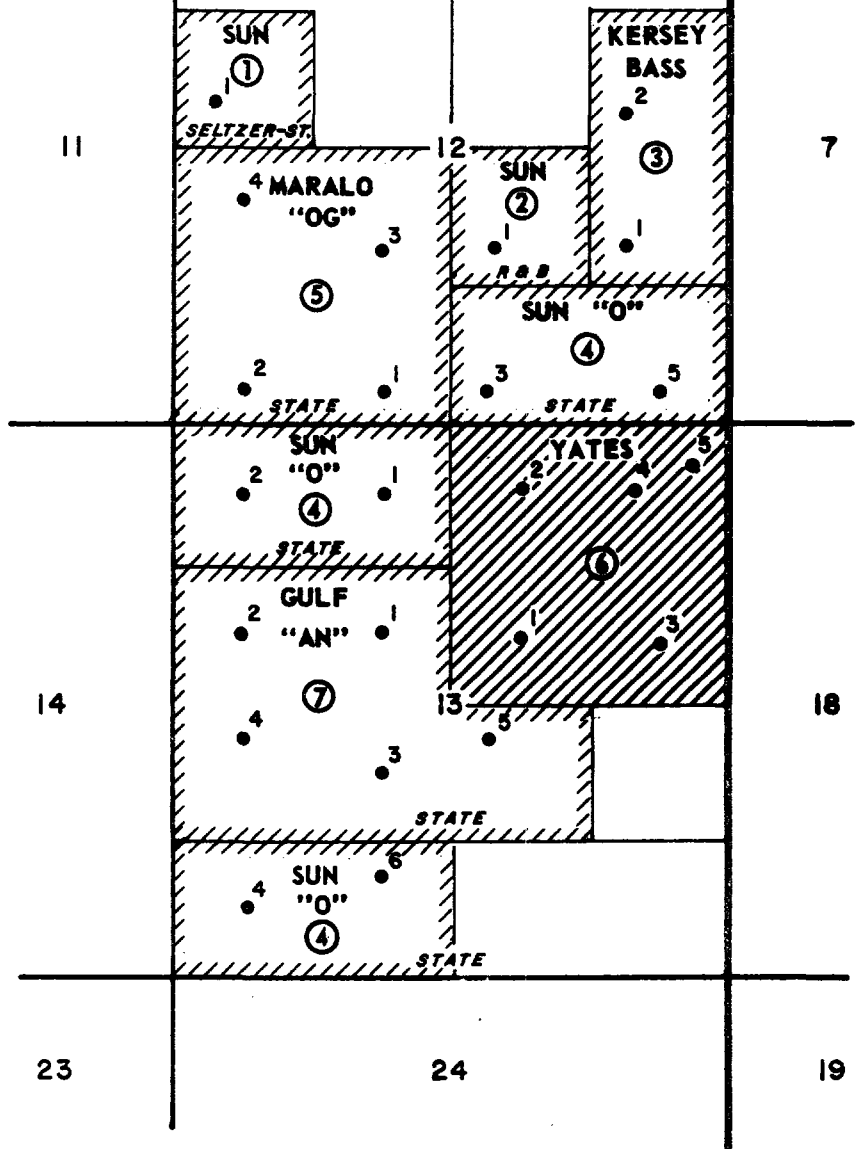
R 28 E

2

1

R 29 E

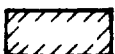
6

T
19
S

170
+ 480
80
+ 760
160
920

LEGEND

FEDERAL LAND 160 17.39% OF UNIT AREA

STATE LAND 760 82.61% OF UNIT AREA
TOTAL AC. 100. %

TRACT BOUNDARY

④

TRACT NUMBER

EXHIBIT "A"
ATTACHED TO UNIT AGREEMENT
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO
SCALE: 3"= 1 MILE April 1, 1978

EXHIBIT "B"
To Unit Agreement
EAST MILLMAN POOL UNIT
Eddy County, New Mexico

April 1, 1978

Tract No.	Description	No. of Acres	Serial No. & Expiration Date Of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner & Percentage
1	T-19S, R-28E, Sec. 12: SW/4 NW/4	40.00	E-4397-HBP	St. of New Mexico-12.5%	Bass Enterprises Prod. Co.	(NONE)	Sun Oil Company (Delaware)-100%
2	T-19S, R-28E, Sec. 12: NW/4 SE/4	40.00	E-4397-2 HBP	St. of New Mexico-12.5%	Bass Enterprises Prod. Co.	Bass Enterprises Prod. Co. & Perry R. Bass-5.46875	Sun Oil Company (Delaware)-100%
3	T-19S, R-28E, Sec. 12: SE/4 NE/4; NE/4 SE/4	80.00	E-4397-3 HBP	St. of New Mexico-12.5%	Perry R. Bass	Perry R. Bass-9.37500 Kenneth W. Brown Trust-3.00000	Harold Kersey-37.50 Walter Granberry-37.50 Sank Tunnell-12.50 Ingrid Schmidt-6.25 Monica N. Collier-6.25
4	T-19S, R-28E, Sec. 12: S/2 SE/4; Sec. 13: N/2 NW/4, S/2 SW/4	240.00	OG-784 HBP	St. of New Mexico-12.5%	Sun Oil Company	(NONE)	Sun Oil Company (Delaware)-100%
5	T-19S, R-28E, Sec. 12: SE/4	160.00	OG-272 HBP	St. of New Mexico-12.5%	Ralph Lowe	(NONE)	Maralo, Inc.-50% Erma Lowe-50%
6	T-19S, R-28E, Sec. 13: NE/4	160.00	NM-069107 HBP	USA-12.5%	Charlie W. Parcel	Elliott, Inc.-3.7500 Charlie W. Parcel-12.500	Robert E. Ferguson-12.50 Martin Yates, III-12.50 S. P. Yates-12.50

<u>Tract No.</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Serial No. & Expiration Date Of Lease</u>	<u>Basic Royalty Ownership and Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty Owner and Percentage</u>	<u>Working Interest Owner & Percentage</u>
6	(Continued)						John A. Yates - 34.3750 Ward Investment Corp. -28.1250
7	T-19E, R-28E, Sec. 13: S/2 NW/4, N/2 SW/4, NW/4 SE/4	200.00	E-7668 HBP	St. of New Mexico-12.5%	Gulf Oil Corp.	(NONE)	Gulf Oil Corp. - 100%

EXHIBIT "C"
To Unit Agreement
EAST MILLMAN POOL UNIT
Eddy County, New Mexico
April 1, 1978

<u>Tract Number</u>	<u>Phase I Unit Participation (%)</u>	<u>Phase II Unit Participation (%)</u>
1	0	1.70582
2	4.59844	3.60517
3	8.44296	4.25261
4	41.31113	35.37763
5	6.34450	13.06544
6	4.77755	14.95652
7	<u>34.52542</u>	<u>27.03681</u>
	100.00000	100.00000

EXHIBIT "D"
To Unit Agreement
EAST MILLMAN POOL UNIT
Eddy County, New Mexico
April 1, 1978

FEDERAL CONTRACT PROVISIONS

These Federal Contract Provisions which are attached to the foregoing agreement, are made a part thereof and shall be effective to the extent of their applicability thereunder. Contractor, or other party to an agreement with Sun Oil Company (Delaware), as the case may be, is hereinafter referred to as CONTRACTOR.

A. DURING THE PERFORMANCE OF THIS CONTRACT, THE CONTRACTOR AGREES AS FOLLOWS:

1. The CONTRACTOR will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this non-discrimination clause.

2. The CONTRACTOR will, in all solicitations or advertisements for employees placed by or on behalf of the CONTRACTOR, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. The CONTRACTOR will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers representative of the CONTRACTOR'S commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. The CONTRACTOR will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. The CONTRACTOR will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965 and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

6. In the event of the CONTRACTOR'S non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part and the CONTRACTOR may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. The CONTRACTOR will include the provisions of Paragraphs (1) through (7) in every sub-contract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each sub-contractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

The CONTRACTOR agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within thirty (30) days after the signing of this agreement or the award of any such purchase order, as the case may be, (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. /41 CFR 60-1.7 (a)/.

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

The CONTRACTOR agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended. /41 CFR 60-1.40/

D. LISTING OF EMPLOYMENT OPENINGS

The CONTRACTOR agrees that all employment openings of the CONTRACTOR which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by the contract and including those occurring at an establishment of the CONTRACTOR other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall, to the maximum extent feasible, be offered for listing at an appropriate local office of the state employment service system wherein the opening occurs and to provide such periodic reports to such local office regarding employment openings and hires as may be required; provided, that this provision shall not apply to openings which the CONTRACTOR fills from within the CONTRACTOR'S organization or are filled pursuant to a customary and traditional employer-union hiring arrangement and that the listing of employment openings shall involve only the normal obligations which attach to the placing of job orders. The CONTRACTOR agrees further to place this provision in any subcontracts directly under this contract.

M3544 7-73 UNITIZATION OF MINORITY BUSINESS ENTERPRISES

(41 CFP 1-1.13)

A. It is the policy of the government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of government contracts.

B. The CONTRACTOR agrees to use his best efforts to carry out this policy in the award of his subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the terms "Minority Business Enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Eskimos, and American-Aleuts. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.

MINORITY BUSINESS ENTERPRISES SUBCONTRACTING PROGRAM

(41 CFR 1-1.13) (Applicable to contracts
which may exceed \$500,000 in value)

A. The Contractor agrees to establish and conduct a program which will enable minority business enterprises (as defined in the clause entitled "Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, the Contractor shall --

1. Designate a liaison officer who will administer the Contractor's minority business enterprises program.

2. Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

3. Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises.

4. Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of minority business enterprises, (ii) awards to minority business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.

5. Include the Utilization of Minority Business Enterprises clause in subcontracts which offer substantial minority business enterprises subcontracting opportunities.

6. Cooperate with the Contracting Officer in any studies and surveys of the Contractor's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.

7. Submit periodic reports of subcontracting to known minority business enterprises with respect to the records referred to in subparagraph (4), above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.

B. The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000 provisions which shall conform substantially to the language of this clause, including this paragraph (B), and to notify the Contracting Officer of the name of such sub-contractors.

EQUAL OPPORTUNITY IN EMPLOYMENT CERTIFICATION
OF NONSEGREGATED FACILITIES

The UNDERSIGNED, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

The UNDERSIGNED agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms, and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT
FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the

Equal Opportunity Clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semi-annually, or annually).

LISTING OF EMPLOYMENT OPENINGS

(This clause is applicable pursuant to 41 CFR 50-250 if this contract is for \$2,500 or more.)

(a) The contractor, to provide special emphasis to the employment of qualified disabled veterans and veterans of the Vietnam era, agrees that all suitable employment openings of the contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by this contract and including those occurring at an establishment of the contractor other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall be offered for listing at an appropriate local office of the State employment service system wherein the opening occurs and to provide such reports to such local office regarding employment openings and hires as may be required: PROVIDED, That if the contract is for less than \$10,000 or if it is with a State or local government the reports set forth in paragraphs (c) and (d) of this clause are not required.

(b) Listing of employment openings with the employment service system pursuant to this clause shall be made at least concurrently with the use of any other recruitment service or effort and shall involve the normal obligations which attach to the placing of a bona fide job order, including the acceptance of referrals of veterans and non-veterans. The listing of employment openings does not require the hiring of any particular job applicant or from any particular group of job applicants, and nothing herein is intended to relieve the Contractor from any requirements in any Executive Orders or regulations regarding nondiscrimination in employment.

(c) The reports required by paragraph (a) of this clause shall include, but not be limited to, periodic reports which shall be filed at least quarterly with the appropriate local office or, where the contractor has more than one establishment in a State, with the central office of that State employment service. Such reports shall indicate for each establishment (1) the number of individuals who were hired during the reporting period, (2) the number of those hired who were disabled veterans, and (3) the number who were non-disabled veterans of the Vietnam era. The contractor shall submit a report within 30 days after the end of each reporting period wherein any performance is made on this contract. The contractor shall maintain copies of the reports submitted until the expiration of 1 year after final payment under the contract, during which time they shall be made available, upon request, for examination by any authorized representatives of the contracting officer or of the Secretary of Labor.

(d) Whenever the contractor becomes contractually bound to the listing provisions of this clause, he shall advise the employment service system in each State wherein he has establishments of the name and location of each such establishment in the State. As long as the contractor is contractually bound to these provisions and has so advised the State system there is no need to advise the State system of subsequent contracts. The contractor may advise the State system when it is no longer bound by this contract clause.

(e) This clause does not apply to the listing of employment openings which occur and are filled outside of the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

(f) This clause does not apply to openings which the contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of his own organization or employer-union arrangement for that opening.

(g) As used in this clause:

(1) "All suitable employment openings" includes, but is not limited to, openings which occur in the following job categories: production and nonproduction; plant and offices; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings which are compensated on a salary basis of less than \$18,000 per year. This term includes full-time employment, temporary employment of more than 3 days duration, and part-time employment. It does not include openings which the contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. Under the most compelling circumstances an employment opening may not be suitable for listing, including such situations where the needs of the Government cannot reasonably be otherwise supplied where listing would be contrary to national security, or where the requirement of listing would otherwise not be for the best interest of the Government.

(2) "Appropriate office of the State employment service system" means the local office of the Federal-State national system of public employment offices with assigned responsibility for serving the area where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

(3) "Openings which the contractor proposes to fill from within his own organization" means employment openings for which no consideration will be given to persons outside the contractor's organization (including any affiliates, subsidiaries, and the parent companies) and includes any openings which the contractor proposes to fill from regularly established "recall" or "re-hire" lists.

(4) "Openings which the contractor proposes * * * to fill pursuant to a customary and traditional employer-union hiring arrangement" means employment openings for which no consideration will be given to persons outside of a special hiring arrangement, including openings which the contractor proposes to fill from union halls, which is part of the customary and traditional hiring relationship which exists between the contractor and representatives of his employees.

(5) "Disabled veteran" means a person entitled to disability compensation under laws administered by the Veterans' Administration for disability rated at 30 per centum or more, or a person whose discharge or release from active duty was for a disability incurred or aggravated in line of duty.

(6) "Veteran of the Vietnam era" means a person (a) who (i) served on active duty for a period of more than 180 days, any part of which occurred after August 5, 1964, and was discharged or released therefrom with other than a dishonorable discharge, or (ii) was discharged or released from active duty for service-connected disability if any part of such duty was performed after August 5, 1964, and (b) who was so discharged or released within the 48 months preceding his application for employment covered under this part.

(h) The contractor agrees to place this clause (excluding this paragraph (h) in any subcontract of \$2,500 or more directly under this contract. This clause shall apply to any subcontract entered into by the contractor in carrying out any contract for the procurement of personal property and non-personal services (including construction) for the United States.

EMPLOYMENT OF THE HANDICAPPED

CONTRACTOR in the performance of the subject agreement agrees to make a good faith effort to effectuate and carry out an affirmative action program to employ and advance in employment qualified handicapped individuals, to comply with the provisions of the affirmative action clause set forth hereinbelow, and to include that clause in each of their "nonexempt subcontractors", all in accordance with Section 503 of the Rehabilitation Act of 1973 (Public Law 93-112, 87 Stat. 393, 29 USC 793), and Executive Order No. 11758 and Title 20, Chapter VI, Subchapter C, Part 741 of the Code of Federal Regulations issued pursuant to said Act.

AFFIRMATIVE ACTION CLAUSE

Employment of the Handicapped

(This clause applies to all nonexempt contracts and subcontracts which exceed \$2,500 as follows: (1) Part A applies to contracts and subcontracts which provide for performance in less than 90 days, (2) Parts A and B apply

to contracts and subcontracts which provide for performance in 90 days or more and the amount of the contract or sub-contract is less than \$500,000, and (3) Parts A,B, and C apply to contracts and subcontracts which provide for performance in 90 days or more and the amount of the contract or subcontract is \$500,000 or more.)

Part A

(a) The contractor will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified. The contractor agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

(b) The Contractor agrees that, if a handicapped individual files a complaint with the Contractor that he is not complying with the requirements of the Act, he will (1) investigate the complaint and take appropriate action consistent with the requirements of 20 CFR 741.29 and (2) maintain on file for three years, the record regarding the complaint and the actions taken.

(c) The Contractor agrees that, if a handicapped individual files a complaint with the Department of Labor that he has not complied with the requirements of the Act, (1) he will cooperate with the Department in its investigation of the complaint, and (2) he will provide all pertinent information regarding his employment practices with respect to the handicapped.

(d) The Contractor agrees to comply with the rules and regulations of the Secretary of Labor in 20 CFR Ch. VI, Part 741.

(e) In the event of the Contractor's noncompliance with the requirements of this clause, the contract may be terminated or suspended in whole or in part.

(f) This clause shall be included in all subcontracts over \$2,500.

Part B

(g) The Contractor agrees (1) to establish an affirmative action program, including appropriate procedures consistent with the guidelines and the rules of the Secretary of Labor, which will provide the affirmative action regarding the employment and advancement of the handicapped required by P.I. 93-112, (2) to publish the program in his employee's or personnel handbook or otherwise distribute a copy to all personnel, (3) to review his program on or before

March 31 of each year and to make such changes as may be appropriate, and (4) to designate one of his principal officials to be responsible for the establishment and operation of the program.

(h) The Contractor agrees to permit the examination by appropriate contracting agency officials or the Assistant Secretary for Employment Standards or his designee, of pertinent books, documents, papers and records concerning his employment and advancement of the handicapped.

(i) The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Assistant Secretary for Employment Standards, provided by the contracting officer stating contractor's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment and the rights and remedies available.

(j) The Contractor will notify each labor union or representative of workers with which he has a collective bargaining agreement or other contract understanding, that the contractor is bound by the terms of Section 503 of the Rehabilitation Act, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.

Part C

(k) The Contractor agrees to submit a copy of his affirmative action program to the Assistant Secretary for Employment Standards within 90 days after the award to him of a contract or subcontract.

(l) The Contractor agrees to submit a summary report to the Assistant Secretary for Employment Standards, by March 31 of each year during performance of the Contract, and by March 31 of the year following completion of the contract, in the form prescribed by the Assistant Secretary, covering employment and complaint experience, accommodations made and all steps taken to effectuate and carry out the commitments set forth in the affirmative action program.

VETERAN COMMITMENT

CONTRACTOR agrees that it will include the contract clause, required by 41 CFR Section 50-250.2, which clause is set forth below, in all invitations for bids and requests for proposals and in all contracts, including contracts resulting from unsolicited proposals, for \$2,500.00 or more, in performance of its duties and obligations under the foregoing agreement to which this exhibit is attached. CONTRACTOR further agrees to include said contract clause in any and all subcontracts entered into in connection with

the fulfillment of said foregoing agreement, CONTRACTOR further agrees that it will observe and comply with any and all other requirements of Part 50-250 of Title 41, Code of Federal Regulations. (Sec. 503 of the Vietnam Era Veterans' Readjustment Assistance Act of 1972 (Public Law 92-540; 86 Stat. 1097); 38 USC Sec. 212; Executive Order No. 11701 of January 24, 1973, 38 F. R. 2675; 41 CFR Part 50-250.)

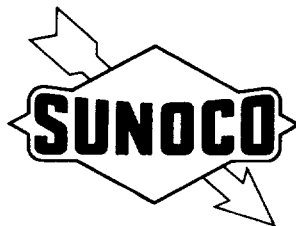
SUN OIL COMPANY

SUN OIL COMPANY

Date of Hearing: 2-14-79

Docket No.: 6450

Exhibit # 2



UNIT OPERATING AGREEMENT

EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

April 1, 1978

UNIT OPERATING AGREEMENT
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

	<u>INDEX</u>	<u>PAGE</u>
	Preliminary Recitals	1
ARTICLE 1	CONFIRMATION OF UNIT AGREEMENT	
	1.1 Confirmation of Unit Agreement	1
ARTICLE 2	EXHIBITS	
	2.1 Exhibits	1
	2.2 Revision of Exhibits	2
	2.3 Reference to Exhibits	2
ARTICLE 3	SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS	
	3.1 Overall Supervision	2
	3.2 Specific Authorities and Duties	2
ARTICLE 4	MANNER OF EXERCISING SUPERVISION	
	4.1 Designation of Representatives	4
	4.2 Meetings	4
	4.3 Voting Procedure	4
ARTICLE 5	INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS	
	5.1 Reservation of Rights	5
	5.2 Specific Rights	5
ARTICLE 6	UNIT OPERATOR	
	6.1 Unit Operator	5
	6.2 Resignation or Removal & Selection of Successor . .	5
ARTICLE 7	AUTHORITIES AND DUTIES OF UNIT OPERATOR	
	7.1 Exclusive Right to Operate Unit	5
	7.2 Workmanlike Conduct	5
	7.3 Liens and Encumbrances	6
	7.4 Employees	6
	7.5 Records	6
	7.6 Reports to Working Interest Owners	6
	7.7 Reports to Governmental Authorities	6
	7.8 Engineering and Geological Information	6
	7.9 Expenditures	6
	7.10 Wells Drilled by Unit Operator	6

	<u>INDEX</u>	<u>PAGE</u>
ARTICLE 8	TAXES	
	8.1 Ad Valorem Taxes	7
	8.2 Other Taxes	7
ARTICLE 9	INSURANCE	
	9.1 Insurance	7
ARTICLE 10	ADJUSTMENT OF INVESTMENTS	
	10.1 Personal Property Taken Over	7
	10.2 Inventory and Evaluation of Personal Property.	8
	10.3 Investment Adjustment	8
	10.4 General Facilities	8
	10.5 Ownership of Personal Property & Facilities	8
ARTICLE 11	UNIT EXPENSE	
	11.1 Basis of Charge to Working Interest Owners	8
	11.2 Budget	9
	11.3 Advance Billing	9
	11.4 Commingling of Funds	9
	11.5 Lien & Security Interest of Unit Operator	10
	11.6 Unpaid Unit Expense	10
	11.7 Carved-Out Interest	10
	11.8 Uncommitted Royalty	11
	11.9 Salvage Credit	11
	11.10 Rentals	11
ARTICLE 12	NON-UNITIZED FORMATIONS	
	12.1 Right to Operate	11
ARTICLE 13	TITLES	
	13.1 Warranty and Indemnity	11
	13.2 Failure Because of Unit Operations	12
ARTICLE 14	LIABILITY, CLAIMS AND SUITE	
	14.1 Individual Liability	12
	14.2 Settlements	12
ARTICLE 15	LAWS AND REGULATIONS	
	15.1 Internal Revenue Provision	13
ARTICLE 16	NOTICES	
	16.1 Notices	13

ARTICLE 17	WITHDRAWAL OF WORKING INTEREST OWNER	
	17.1 Withdrawal	13
ARTICLE 18	ABANDONMENT OF WELLS	
	18.1 Rights of Former Owners	14
	18.2 Pluggings	14
ARTICLE 19	EFFECTIVE DATE AND TERM	
	19.1 Effective Date	14
	19.2 Term	14
ARTICLE 20	ABANDONMENT OF OPERATIONS	
	20.1 Termination	15
ARTICLE 21	EXECUTION	
	21.1 Original, Counterpart, or Other Instrument . .	15
ARTICLE 22	SUCCESSORS AND ASSIGNS	
	22.1 Successors and Assigns	16

Exhibit "E" (Schedule of Unit Participation)
Exhibit "F" (Accounting Procedure)
Exhibit "G" (Insurance Provisions)

UNIT OPERATING AGREEMENT
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of April, 1978 by and between the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto,

W I T N E S S E T H:

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an Agreement entitled "Unit Agreement, East Millman Pool Unit, Eddy County, New Mexico, "herein referred to as "Unit Agreement," which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for Unit Operations as therein defined.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

ARTICLE 1

CONFORMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits are incorporated herein by reference:

2.1.1 Exhibits A. B. C and D of the Unit Agreement

2.1.2 Exhibit E, attached hereto, is a schedule showing the Unit Participation of each Working Interest Owner. Exhibit E, or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of Working Interest Owners for purposes of this Agreement until shown to be in error or revised as herein authorized.

2.1.3 Exhibit F, attached hereto, is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit F, this Agreement shall govern.

2.1.4 Exhibit G, attached hereto, contains insurance provisions applicable to Unit Operations.

2.2 Revision of Exhibits. Whenever Exhibits A, B or C are revised, Exhibit E shall be revised accordingly and be effective as of the same date. Unit Operator shall also revise Exhibit E from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

2.3 Reference to Exhibits. When reference is made herein to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

ARTICLE 3

SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owners shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authorities and Duties. The matters with respect to which Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation. The method of operation, including the type or types of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.2 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Well Recompletion and Change of Status. The recompletion, abandonment, or permanent change of status of any well, or the use of any well for injection or other purposes.

3.2.4 Expenditures. The making of any single expenditure in excess of Fifteen Thousand Dollars (\$15,000.00); however, approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary, expenditures required therefore, and for completing, testing, and equipping the well, including necessary flow lines, separators, and lease tankage.

3.2.5 Disposition of Unit Equipment. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the current price of new equipment similar thereto is Five Thousand Dollars (\$5,000.00) or more.

3.2.6 Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; however, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; however, the audits shall

(a) not be conducted more than once each year except upon the resignation or removal of Unit Operator, and

(b) be made upon the approval of the owner or owners of a majority of Working Interest other than that of Unit Operator, at the expense of all Working Interest Owners other than Unit Operator, or

(c) be made at the expense of those Working Interest Owners requesting such audit, if owners of less than a majority of Working Interest, other than that of Unit Operator, request such an audit, and

(d) be made upon not less than thirty (30) days' written notice to Unit Operator.

3.2.8 Inventories. The taking of periodic inventories under the terms of Exhibit F.

3.2.9 Technical Services. The authorizing of charges to the Joint Account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit F.

3.2.10 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.

3.2.11 The removal of Unit Operator and the selection of a successor.

3.2.12 The enlargement of the Unit Area.

3.2.13 The adjustment and readjustment of investments.

3.2.14 The termination of the Unit Agreement.

3.2.15 Border Line Agreements.

ARTICLE 4

MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of two (2) or more Working Interest Owners having a total Unit Participation then in effect of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 Voting Procedure. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Unit Participation in effect at the time of the vote.

4.3.2 Vote Required. Unless otherwise provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters by the affirmative vote of four or more Working Interest Owners having a combined voting interest of at least sixty-five percent (65%); however, should any one Working Interest Owner have more than thirty percent (30%) voting interest, its negative vote or failure to vote shall not defeat a motion, and such motion shall pass if approved by Working Interest Owners having a majority voting interest, unless three or more Working Interest Owners having a combined voting interest of at least ten percent (10%) likewise vote against the motion or fail to vote.

4.3.3 Vote at Meeting by Nonattending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter or telegram addressed to the representative of Unit Operator if its vote is received prior to the vote at the meeting, provided the agenda items are not amended.

4.3.4 Poll Votes. Working Interest Owners may vote on and decide, by letter or telegram, any matter submitted in writing to Working Interest Owners. If a meeting is not requested, as provided in Section 4.2, within seven (7) days after a written proposal

is sent to Working Interest Owners, the vote taken by letter or telegram shall become final. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

ARTICLE 5

INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this Agreement and the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

ARTICLE 6

UNIT OPERATOR

6.1 Unit Operator. Sun Oil Company (Delaware) is hereby designated as the initial Unit Operator.

6.2 Resignation or Removal and Selection of Successor. The resignation or removal of Unit Operator and the selection of a successor shall be governed by the provisions of the Unit Agreement.

ARTICLE 7

AUTHORITIES AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this Agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would prudent operator under

the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except the lien and security interest of Unit Operator and Working Interest Owners granted hereunder.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts, and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish Working Interest Owners periodic reports of Unit Operations.

7.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operator shall furnish to a Working Interest Owner, upon written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Fifteen Thousand Dollars (\$15,000.00) without prior approval of Working Interest Owners. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the usual rates prevailing in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

ARTICLE 8

TAXES

8.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interests production payment, or other interest in excess of a one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes paid resulting therefrom.

8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

ARTICLE 9

INSURANCE

9.1 Insurance. Unit Operator, with respect to Unit Operations, shall:

- (a) comply with the Workmen's Compensation Laws of the State,
- (b) carry Employer's Liability and other insurance required by the laws of the State, and
- (c) provide other insurance as set forth in Exhibit G.

ARTICLE 10

ADJUSTMENT OF INVESTMENTS

10.1 Personal Property Taken Over. Upon the Effective Date, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 Wells. All wells completed in the Unitized Formation.

10.1.2 Well and Lease Equipment. The casing and tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which Working Interest Owners determine is necessary or desirable for conducting Unit Operations.

10.1.3 Records. A copy of all production and well records for such wells.

10.2 Inventory and Evaluation of Personal Property. Working Interest Owners shall at Unit Expense inventory and evaluate, as determined by Working Interest Owners, the personal property taken over by Unit Operator under Section 10.1.2. Such inventory shall include and be limited to those items of equipment considered controllable under Exhibit D except, upon determination of Working Interest Owners, items considered noncontrollable may be included in the inventory in order to insure a more equitable adjustment of investment. Casing shall be included in the inventory for record purposes, but shall be excluded from evaluation and investment adjustment.

10.3 Investment Adjustment. Upon approval by Working Interest Owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value, as determined in accordance with Section 10.2 above, of its interest in all personal property taken over by Unit Operator under Section 10.1.2 and charged with an amount equal to that obtained by multiplying the total value of all such personal property taken over by the Unit Operator under Section 10.1.2 by such Working Interest Owner's Phase II Unit Participation. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility system, and office buildings necessary for Unit Operations shall be by negotiation by the owners thereof and Unit Operator, subject to the approval of Working Interest Owners.

10.5 Ownership of Personal Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, equal to its Unit Participation, in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement.

ARTICLE 11

UNIT EXPENSE

11.1 Basis for Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expenditures. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expenditures. Each Working Interest Owner's share of such Unit Expenditures shall be the same as its Phase II Unit Participation for:

- (a) items in the nature of capital assets including, without limitation, real property if acquired;
- (b) acquiring, drilling, redrilling, equipping and re-equipping water injection wells, converting oil wells to water injection wells, pumping and pipeline facilities for such wells, and changing any injection interval in any such well;
- (c) gathering lines and facilities and common tank batteries utilized or acquired for Unit Operations, and
- (d) water purchased or otherwise obtained for injection purposes and the costs of injection thereof into the Unit Area.

Each Working Interest Owner's share of all other Unit Expenditures shall be the same as its Unit Participation in effect at that time. All charges, credits and accounting for Unit Expenditures shall be in accordance with Exhibit "D".

11.2 Budgets. Before or as soon as practical after the Effective Date, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year and on or before the first day of each October thereafter shall prepare such a budget for the ensuing calendar year. Budgets shall be estimates only, and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall be furnished promptly to each Working Interest Owner.

11.3 Advance Billings. Unit Operator shall have the right, without prejudice to other rights or remedies, to require Working Interest Owners to advance their respective share of estimated Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days after receipt of the estimate, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

11.4 Commingling of Funds. Funds received by Unit Operator under this agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.5 Lien and Security Interest of Unit Operator and the Working Interest Owners. Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract and a security interest in its share of Unitized Substances when extracted and its interest in all Unit Equipment to secure payment of its share of Unit Expense, together with interest thereon at the rate of ten percent (10%) per annum, with the further provision that Unit Operator grants a like lien to Working Interest Owners. To the extent that Unit Operator has a security interest under the Uniform Commercial Code of the State of New Mexico, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default. The rights herein granted the Unit Operator shall in like manner apply to the other Working Interest Owners.

11.6 Unpaid Unit Expense. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, each Working Interest Owner agrees, upon request by Unit Operator, to pay its proportionate part of the unpaid share of Unit Expense of the defaulting Working Interest Owner. Working Interest Owners that pay the share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collected from the defaulting Working Interest Owner. Any Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expense shall, to obtain reimbursement thereof, be subrogated to the lien and other rights herein granted Unit Operator.

11.7 Carved-out Interest. If any Working Interest Owner shall, after executing this agreement, create an overriding royalty, production payment, net proceeds interest, carried interest, or any other interest out of its Working Interest, such carved-out interest shall be subject to the terms and provisions of this agreement, specifically including, but without limitation, Section 11.5 hereof entitled "Lien of Unit Operator." If the Working Interest Owner creating such carved-out interest (a) fails to pay any Unit Expense chargeable to such Working Interest Owner under this agreement, and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (b) withdraws from this agreement under the terms and provisions of Article 17 hereof, the carved-out interest shall be chargeable with a pro rata portion of all Unit Expense incurred hereunder, the same as though such carved-out interest were a Working Interest, and Unit Operator shall have the right to enforce against such carved-out interest the lien and all other rights granted in Section 11.5 for the purpose of collecting the Unit Expense chargeable to the carved-out interest.

11.8 Uncommitted Royalty. Should an owner of a Royalty Interest in any Tract fail to become a party to the Unit Agreement, and, as a result thereof, the actual Royalty Interest payments with respect to such Tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners, in proportion to their respective Unit Participations at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. Such adjustments shall be made by charges and credits to the joint account.

11.9 Salvage Credit. Credit for Unit Equipment salvaged during the Phase I Period shall be divided in the same proportion as the Phase II Period Unit Participation, and credit for Unit Equipment salvaged during the Phase II Period shall be divided in the same proportion as the Phase II Period Unit Participation.

11.10 Rentals. The Working Interest Owners in each Tract shall pay all rentals, minimum royalty, advance rentals or delay rentals due under the lease thereon and shall concurrently submit to the Unit Operator evidence of payment.

ARTICLE 12

NON-UNITIZED FORMATIONS

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals, from a formation underlying the Unit Area other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising the right, however, the Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances will not be affected adversely.

ARTICLE 13

TITLES

13.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective working interests set forth opposite its name in Exhibit "B" of the Unit Agreement,

and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 A.M. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of title failure.

13.2 Failure Because of Unit Operations. The failure of title any Working Interest in any Tract because of Unit Operations, including nonproduction from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

ARTICLE 14

LIABILITY, CLAIMS, AND SUITS

14.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Five Thousand Dollars (\$5,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, Working Interest Owners shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

ARTICLE 15

LAWS AND REGULATIONS

15.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this Agreement and operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761-1(a). Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Unit Area is located, or any future income tax law of the United States, contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each of the parties agrees to make such election as may be permitted, or required by such laws. In making this election, each of the parties states that the income derived by such party from the operations under this Agreement can be adequately determined without the computation of partnership taxable income.

ARTICLE 16

NOTICES

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

ARTICLE 17

WITHDRAWAL OF WORKING INTEREST OWNER

17.1 Withdrawal. A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title, either express or implied, to the other Working Interest Owners, all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations. The instrument of transfer may be delivered to Unit Operator for the transferees. Such transfer shall not relieve the Working Interest Owner from any obligation or

liability incurred prior to the date of the delivery of the instrument of transfer; however, the tender has to be accepted unless Working Interest Owners decide within ninety (90) days to terminate the Unit. The interest transferred shall be owned by the transferees in proportion to their respective Unit Participations then in effect. The transferees, in proportion to the respective interests so acquired, shall pay transferor, for its interest in Unit Equipment, the net salvage value thereof as determined by Working Interest Owners. In the event such withdrawing party's interest in the aforesaid fair salvage value after deducting the estimated cost of salvaging same is less than the withdrawing party's share of the estimated cost of plugging and abandoning all wells then being used or held for Unit Operations, then the withdrawing party, as a condition precedent to withdrawal, shall pay in cash to the party or parties succeeding to its interest a sum equal to the deficiency. After the date of delivery of the instrument of transfer, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability hereunder and under the Unit Agreement, and the rights of such Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

ARTICLE 18

ABANDONMENT OF WELLS

18.1 Rights of Former Owners. If Working Interest Owners decide to permanently abandon any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount determined by Working Interest Owners to be the net salvage value of the casing and equipment in and on the well. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the Unitized formation, and upon abandonment to plug the well in compliance with applicable laws and regulations.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

ARTICLE 19

EFFECTIVE DATE AND TERM

19.1 Effective Date. This Agreement shall become effective when the Unit Agreement becomes effective.

19.2 Term. This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all unit

wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 20; (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and (c) there has been a final accounting.

ARTICLE 20

ABANDONMENT OF OPERATIONS

20.1 Termination. Upon termination of the Unit Agreement, the following will occur:

20.1.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts and other instruments affecting the separate Tracts.

20.1.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage values, as determined by Working Interest Owners, of the casing and equipment in and on the wells taken over and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

20.1.3 Salvaging Wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

20.1.4 Cost of Abandonment. The cost of abandonment of Unit Operations shall be Unit Expense.

20.1.5 Distribution of Assets. Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participations.

ARTICLE 21

EXECUTION

21.1 Original, Counterpart, or Other Instrument. An owner of a Working Interest may become a party to this Agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto. The signing of any such instrument shall have the same effect as if all parties had signed the same instrument.

ARTICLE 22

SUCCESSORS AND ASSIGNS

22.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective heirs, devisees, legal representative, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates opposite their respective signatures.

SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: _____
Agent and Attorney-In-Fact

Non-Operators: _____

STATE OF TEXAS §

COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____ by _____

_____, as Agent and Attorney-in-
Fact of SUN OIL COMPANY (DELAWARE), a corporation, on behalf of said
corporation.

Notary Public

My Commission Expires:

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____ by _____

_____, _____

Notary Public

My Commission Expires:

STATE OF _____ §

COUNTY OF _____ §

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

Notary Public

My Commission Expires:

EXHIBIT "E"
To Unit Operating Agreement
EAST MILLMAN POOL UNIT
Eddy County, New Mexico
April 1, 1978

<u>Working Interest Owner</u>	<u>Tract No.</u>	<u>Tract Interest(%)</u>	<u>Phase I Unit Participation(%)</u>	<u>Phase II Unit Participation(%)</u>
Monica Collier	3	6.250	.52768	.26579
Robert E. Ferguson	6	12.500	.59720	1.86956
Walter Granberry	3	37.500	3.16611	1.59473
Gulf Oil Corporation	7	100.000	34.52542	27.03681
Harold Kersey	3	37.500	3.16611	1.59473
Erma Lowe	5	50.000	3.17225	6.53272
Maralo, Inc.	5	50.000	3.17225	6.53272
Ingrid Schmidt	3	6.250	.52769	.26579
Sun Oil Company (Del.)	1	100.000	0	1.70582
	2	100.000	4.59844	3.60517
	4	100.000	41.31113	35.37763
			<u>45.90957</u>	40.68862
Sank Tunnell	3	12.500	1.05537	.53157
Ward Investment Corp.	6	28.125	1.34369	4.20652

<u>Working Interest Owner</u>	<u>Tract No.</u>	<u>Tract Interest(%)</u>	<u>Phase I Unit Participation(%)</u>	<u>Phase II Unit Participation(%)</u>
John A. Yates	6	34.375	1.64228	5.14130
Martin Yates, III	6	12.500	.59719	1.86957
S. P. Yates	6	12.500	<u>.59719</u>	<u>1.86957</u>
			<u>100.00000</u>	<u>100.00000</u>

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

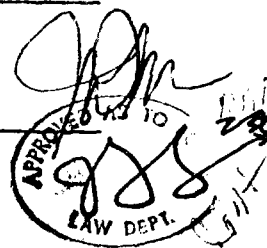
SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: *Lester F. Ellison*
Agent and Attorney-in-Fact

APPROVED	
Legal	<i>[initials]</i>
C&LA	<i>[initials]</i>
Gas	
Land	<i>[initials]</i>
U&JO	<i>[initials]</i>

GULF OIL CORPORATION

By: *W. E. Schmitt*
Attorney-in-Fact



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

SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: _____
Agent and Attorney-in-Fact

STATE OF TEXAS §

COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this
30th day of May, 1978 by
Luther F. Ellison, as Agent and Attorney-in-
Fact of SUN OIL COMPANY (DELAWARE), a corporation, on behalf of said
corporation.

Darlene Hayes
Notary Public

My Commission Expires:

October 31, 1978

STATE OF Texas §

COUNTY OF Midland §

The foregoing instrument was acknowledged before me this
13 day of July, 1978 by
R. E. GALVIN, Attorney-in-Fact
CULF OIL CORPORATION

Emily Jones
Notary Public

My Commission Expires:

NOV 30 1978

STATE OF TEXAS §

COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____ by _____
_____, as Agent and Attorney-in-
Fact of SUN OIL COMPANY (DELAWARE), a corporation, on behalf of said
corporation.

Notary Public

My Commission Expires:

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____ by _____

Notary Public

My Commission Expires:

STATE OF _____ I

COUNTY OF _____ I

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

Notary Public

My Commission Expires:

EXHIBIT .. F ..

Attached to and made a part of Unit Operating Agreement
East Millman Pool Unit, Eddy County, New Mexico, Dated as of
April 1, 1978.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 1,710
Producing Well Rate \$ 171

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

- (2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ 25,000 :

- A. _____ 5 % of total costs if such costs are more than \$ 25,000 but less than \$ 100,000 ; plus
B. _____ 3 % of total costs in excess of \$ 100,000 but less than \$1,000,000; plus
C. _____ 2 % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or
 - (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "G"

Attached to and made a part of Unit
Operating Agreement, East Millman Pool Unit
Eddy County, New Mexico

Operator shall carry or provide for the benefit of the Joint Account of the parties the types and amounts of Insurance as are shown below.

- (1) Workmen's Compensation Insurance to cover full liability under the Workmen's Compensation Law of the State where the operations are being conducted.
- (2) Employer's Liability Insurance with a limit of not less than \$500,000 for accidental injuries or deaths of one or more employees as a result of one accident.
- (3) Comprehensive General Liability Insurance with limits of not less than \$500,000 Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage.
- (4) Automobile Public Liability Insurance with limits of not less than \$500,000 Combined Single Limit Per Occurrence for both Bodily Injury and Property Damage.

The premiums paid for all such Insurance except Automobile shall be charged as operation expense. No Insurance, other than that shown above, shall be carried for the benefit of the Joint Account except by mutual consent of the parties.

RATIFICATION OF UNIT AGREEMENT

EAST MILLMAN POOL UNIT

EDDY COUNTY, NEW MEXICO

January, 1979

Jan Ex 3
Cc 6450

EAST MILLMAN POOL UNIT
(Eddy County, New Mexico)
RATIFICATION OF UNIT AGREEMENT BY TRACT

Tract No.	Tract Name	UNIT		TOTAL % RATIFIED		PERCENT RATIFIED (Participation)			
		Tract Participation		By Tract		Phase I		Phase II	
		Phase I%	Phase II%	W.I.%	R.I.%	W.I.%	R.I.%	W.I.%	R.I.%
1	New Mexico Seltzer State No. 1	--	1.70	100	100 *	--	--	1.70	1.70
2	R & B State #1	4.60	3.60	100	100 *	4.60	4.60*	3.60	3.60*
3	Bass	8.44	4.25	100	100 *	8.44	8.44*	4.25	4.25*
4	New Mexico State "O" Lease	41.31	35.38	100	100 *	41.31	41.31*	35.38	35.38*
5	State "OG" Lease	6.34	13.07	100	100 *	6.34	6.34*	13.07	13.07*
6	Charlie W. Parcell	4.78	14.96	100	100 **	4.78	4.78**	14.96	14.96*
7	Eddy "AN" State	34.53	27.04	100	100 *	34.53	34.53*	27.04	27.04*
TOTAL		100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

* Tentative approval by Commissioner of Public Lands/ Final approval after Order of New Mexico Oil Conservation Commission.

** Federal Lease approved as a Logical Unit.

RATIFICATION OF UNIT AGREEMENT
EAST MILLMAN POOL
Eddy County, New Mexico

<u>Royalty Interest Owner</u>	<u>Tract Royalty Ownership Decimal Interest</u>	<u>Ratified Unit Agreement</u>		<u>Percent Participation Ratified</u>
		<u>Yes</u>	<u>No Response</u>	
<u>Tract 1 - New Mexico Seltzer State No.1</u>				
State of New Mexico				
P. O. Box 1148				
Santa Fe, New Mexico	.1250	X		100
TOTAL	<u>.1250</u>			<u>100</u>
<u>Tract 2 - R&B State #1</u>				
State of New Mexico				
P. O. Box 1148				
Santa Fe, New Mexico 87501	.1250	X		70
Bass Enterprises Production Co.				
Perry R. Bass				
3100 Ft. Worth Nat'l Bk. Bldg.				
Ft. Worth, Texas 76102				
Attn: Treasury Dept.				
TOTAL	<u>.05469</u> <u>.17969</u>	X		<u>30</u> <u>100</u>

Tract 3 - Bass

State of New Mexico				
P. O.Box 1148				
Santa Fe, New Mexico 87501	.1250	X		50
Perry R. Bass				
c/o Bass Enterprises Prod. Co.				
3100 Ft. Worth Nat'l Bk. Bldg.				
Ft. Worth, Texas				
Attn: reasury Dept.	.09375 ORRI	X		38

<u>Royalty Interest Owner</u>	<u>Decimal Interest</u>	<u>Yes</u>	<u>No Response</u>	<u>Ratioed</u>
<u>Tract 3 (cont.)</u>				
Kenneth W. Brown Trust c/o Kersey & Company 808 Grand Avenue Artesia, New Mexico 88210	.03000 ORRI TOTAL .24875	X		12 100
<u>Tract 4 - New Mexico State "0" Lease</u>				
State of New Mexico P. O. Box 1148 Santa Fe, New Mexico 87501	.1250 TOTAL .1250	X		100 100
<u>Tract 5 - State "0G" Lease</u>				
State of New Mexico P. O. Box 1148 Santa Fe, New Mexico 87501	.1250 TOTAL .1250	X		100 100
<u>Tract 6 - Charlie W. Parcel</u>				
U.S.G.S. P. O. Drawer 1857 Roswell, New Mexico 88201	.1250	X		62
Elliot, Inc. P. O. Box 5669 Roswell, New Mexico 88201	.0375 ORRI			19

<u>Royalty Interest Owner</u>	<u>Decimal Interest</u>	<u>Yes</u>	<u>No Response</u>	<u>Ratified</u>
-------------------------------	-------------------------	------------	--------------------	-----------------

Tract 6 (cont.)

Gertrude Parcel
1206 Galisteo Pkwy.
Santa Fe, New Mexico 87501

	.0375 ORRI	X		19
TOTAL	.2000			100

Tract 7 - Eddy "AN" State

State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501

	.1250	X		100
TOTAL	.1250			100

Encl 1

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

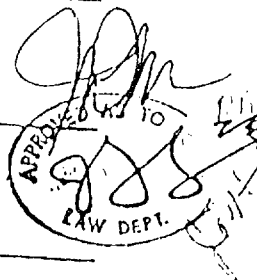
SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: *Rudolf F. Ehlman*
Agent and Attorney-in-Fact

APPROVED	
Legal	<i>[initials]</i>
C&LA	<i>[initials]</i>
Gas	<i>[initials]</i>
Land	<i>[initials]</i>
U&JO	<i>[initials]</i>

GULF OIL CORPORATION

By: *W. E. Schuler*
Attorney-in-Fact



STATE OF TEXAS ↓

COUNTY OF DALLAS ↓

The foregoing instrument was acknowledged before me this
30th day of May, 1978 by Luther F. Ellison, as Agent and Attorney-in-Fact of SUN OIL COMPANY (DELAWARE), a corporation, on behalf of said corporation.

Darlene Haydel
Notary Public

My Commission Expires:

October 31, 1978

STATE OF Texas ↓

COUNTY OF Midland ↓

The foregoing instrument was acknowledged before me this
13 day of July, 1978 by R. E. GALVIN, Attorney-in-Fact
COLE OIL CORPORATION

Emily Jones
Notary Public

My Commission Expires:

NOV 30 1978

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

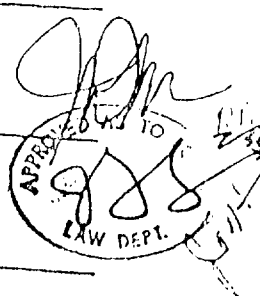
SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: Rudolph F. Ellison
Agent and Attorney-in-Fact

APPROVED	
Legal	<input checked="" type="checkbox"/>
C&LA	<input checked="" type="checkbox"/>
Gas	<input type="checkbox"/>
Land	<input checked="" type="checkbox"/>
U&JO	<input checked="" type="checkbox"/>

GULF OIL CORPORATION

By: W. E. Schuler
Attorney-in-Fact



Tract 2

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: _____
Date: 12-12-78
Date: 12-12-78

PERRY R. BASS

BASS ENTERPRISES PRODUCTION CO.
BY: W. Arthur Hamilton
Vice President

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF Texas as:
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 12th day of
December, 19 78, by Perry R. Bass

My Commission Expires:

June 9, 1980

Donna Clower
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Texas as:
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 12th day of
December, 19 78, by Ann Archer Hamilton, a Vice President

My Commission Expires:

June 9, 1980

Donna Clower
Notary Public

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: <u>Aug 9, 1978</u>	<u>David Kersey</u>
Date: <u>Aug 9, 1978</u>	<u>Monica A. Collins</u>
Date: <u>Aug. 9, 1978</u>	<u>Walter Granberg</u>
	<u>Frank Lunnell</u>
	<u>Daguid Schmidt</u>
<u>Feb. 25, 1978</u>	

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF New Mexico as:
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 9th day of
August, 19 78, by Harold Kersey, Walter Granberry, Sank Tunnell,
and Monica A. Collier
My Commission Expires:
November 2, 1978
Georgel Grimshaw
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF Idaho as:
COUNTY OF Blaine

The foregoing instrument was acknowledged before me this 25th day of
October, 19 78, by Ingrid Schmidt
My Commission Expires: Sept. 30, 1980
Deane B. Anderson
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19____, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19____, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19____, by _____
My Commission Expires: _____

Notary Public

Jack E

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

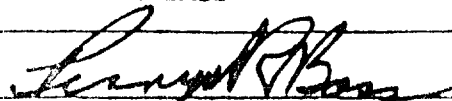
IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: _____

Date: 12-12-78

Date: 12-12-78

PERRY R. BASS



BASS ENTERPRISES PRODUCTION CO.

BY: 

Vice President

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF Nevada as:
COUNTY OF Larant

The foregoing instrument was acknowledged before me this 12th day of
December, 19 78, by Perry R. Bess

My Commission Expires:

June 9, 1980

Donna Clower
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF Nevada as:
COUNTY OF Larant

The foregoing instrument was acknowledged before me this 12th day of
December, 19 78, by Mr. Archer Hamilton, a Vice President

My Commission Expires:

June 9, 1980

Donna Clower
Notary Public

Page 3

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: September 7, 1978

Date: _____

Date: _____

KENNETH W. BROWN TRUST

By: _____

Kenneth W. Brown, Trustee

New Mexico
ACKNOWLEDGMENT

10-13

(PERSONAL ACKNOWLEDGMENT)

STATE OF Texas as:
COUNTY OF Tom Green

The foregoing instrument was acknowledged before me this 7th day of
September, 19 78, by Kenneth W. Brown, Trustee of Kenneth
W. Brown Trust
My Commission Expires: March 30, 1980
Orville C. Conway
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 __, by _____
My Commission Expires: _____

Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 __, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 __, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 __, by _____
My Commission Expires: _____

Notary Public

21224

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

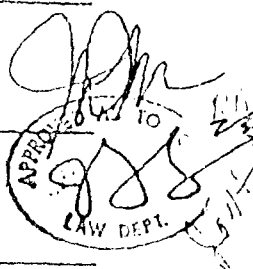
SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: Rudolf F. Ellison
Agent and Attorney-in-Fact

APPROVED	
Legal	<input checked="" type="checkbox"/>
C&LA	<input checked="" type="checkbox"/>
Gas	<input type="checkbox"/>
Land	<input checked="" type="checkbox"/>
U&JO	<input checked="" type="checkbox"/>

GULF OIL CORPORATION

By W. E. Schum
Attorney-in-Fact



fact 4

STATE OF TEXAS ↓

COUNTY OF DALLAS ↓

The foregoing instrument was acknowledged before me this
30th day of May, 1978 by
Luther F. Ellison, as Agent and Attorney-in-
Fact of SUN OIL COMPANY (DELAWARE), a corporation, on behalf of said
corporation.

Barbara Hayden
Notary Public

My Commission Expires:

October 31, 1978

STATE OF Texas ↓

COUNTY OF Midland ↓

The foregoing instrument was acknowledged before me this
13 day of July, 1978 by
R. E. GALVIN, Attorney-in-Fact
GULF OIL CORPORATION

Emily Jones
Notary Public

My Commission Expires:

NOV 30 1978

Tract 5

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: November 14, 1978

Date: _____

Date: 11/30/78

Erma Lowe
Erma Lowe

MARALO, INC.

By: Mary Ralph Lowe
Mary Ralph Lowe, President

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF TEXAS as:
COUNTY OF BLANCO

The foregoing instrument was acknowledged before me this 14th day of
November, 19 78, by Erma Lowe
My Commission Expires:
12/29/79

Patsy Haley
Notary Public
Blanco County, Texas

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____
My Commission Expires: _____

Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____
My Commission Expires: _____

Notary Public

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE:

2/27/78

ROBERT E. HENNING

STATE OF NEW MEXICO)
 : §
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 27th day of December, 1978, by ROBERT E. FERGUSON.

My Commission Expires:

8/20/80

Janet Moreau
Notary Public

Tract 5

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and


WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

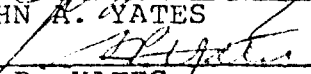
WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

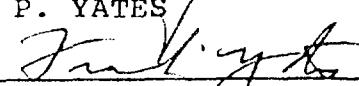
NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: OCT 23 1978
Date: OCT 23 1978
Date: OCT 23 1978



JOHN A. YATES


S. P. YATES


FRANK YATES, Attorney-in-Fact
for MARTIN YATES, III

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF NEW MEXICO as:
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 6th day of
September, 19 78, by JOHN A. YATES
My Commission Expires:
August 20, 1980

Jamel Moreau
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF NEW MEXICO as:
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 6th day of
September, 19 78, by S. P. YATES
My Commission Expires:
August 20, 1980

Jamel Moreau
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF NEW MEXICO as:
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 6th day of
September, 19 78, by FRANK YATES, Attorney-in-Fact for
MARTIN YATES, III
My Commission Expires:
August 20, 1980

Jamel Moreau
Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____
My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____
My Commission Expires:

Notary Public

100-1000

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

DATE: December 8, 1978

ATTEST:

Richard L. [Signature]

WARD INVESTMENT CORP.

By: [Signature]

STATE OF NEW MEXICO)
 : \$
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 8th day of December, 1978, by J. S. Ward, _____ President of WARD INVESTMENT CORP., a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

2-18-80

William M. Denigley
Notary Public

J. O. Elliott

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits.

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date:

9/21/78

Date:

9/21/78

Date:

8/28/78

FRANK O. ELLIOTT LIVING TRUST

Frank O. Elliott, Trustee

Clarence E. Hinkle, Trustee

EDNA IONE HALL LIVING TRUST

Edna Ione Hall, Trustee

New Mexico
ACKNOWLEDGMENT

(PERSONAL ACKNOWLEDGMENT)

STATE OF New Mexico as:
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 21st day of September, 1978, by Frank O. Elliott and Clarence E. Hinkle
Trustees under the Frank O. Elliott Living Trust
My Commission Expires: May 18, 1982
Paul S. Harnden
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF Utah as:
COUNTY OF Weber

The foregoing instrument was acknowledged before me this 28 day of August, 1978, by Edna Ione Hall, Trustee under the Edna Ione Hall Living Trust
My Commission Expires: June 13, 1981
Arlette L. Leppink
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____
My Commission Expires: _____

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____
My Commission Expires: _____

Notary Public

had 6

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
EAST MILLMAN POOL UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned owner (whether one or more) or royalty interests hereby acknowledges receipt of a true copy of the "Unit Agreement, East Millman Pool Unit Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Agreement, and the undersigned owner (whether one or more) of working interests hereby acknowledges receipt of a true copy of said Unit Agreement, and a true copy of the "Unit Operating Agreement, East Millman Pool Unit, Eddy County, New Mexico," dated April 1, 1978, hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B" attached to said Unit Agreement, identify the Tracts which may become part of the East Millman Pool Unit as initially constituted, depending upon whether such Tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, the undersigned represents it is a Royalty Owner or Working Interest Owner, or both, as defined in a said Unit Agreement, in one or more of the Tracts identified by said Exhibits. My overriding royalty interest is: 3-3/4% (3.7500%)

NOW, THEREFORE the undersigned owner of royalty interests only desires to and does hereby adopt, ratify and confirm said Unit Agreement and the undersigned owner of working interests only or the owner of both working interests and royalty interests desires to and does hereby adopt, ratify and confirm said Unit Agreement and said Unit Operating Agreement, with respect to all of its interest in all of the Tracts identified by said Exhibits.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date: September 18, 1978

Hertudea D. Parcell

Date: _____

Date: _____

New Mexico
ACKNOWLEDGMENT

Part 6

(PERSONAL ACKNOWLEDGMENT)

STATE OF New Mexico as:
COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 18th day of
September, 19 78, by Gertrude L. Parcell

My Commission Expires:

12-2-74

Bertine J. O'Leary
Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(PERSONAL ACKNOWLEDGMENT)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY ATTORNEY)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

(ACKNOWLEDGMENT BY CORPORATION)

STATE OF _____ as:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of
_____, 19 ___, by _____

My Commission Expires:

Notary Public

fact 1

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

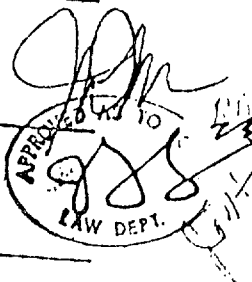
SUN OIL COMPANY (DELAWARE)
Unit Operator and Working Interest Owner

By: *Rudolph F. Ellison*
Agent and Attorney-in-Fact

APPROVED	
Legal	<i>[initials]</i>
C&LA	<i>[initials]</i>
Gas	
Land	<i>[initials]</i>
U&JO	<i>[initials]</i>

GULF OIL CORPORATION

By: *W. E. [unclear]*
Attorney-in-Fact



fact 1

STATE OF TEXAS |

COUNTY OF DALLAS |

The foregoing instrument was acknowledged before me this
30th day of May, 1978 by Luther F. Ellison, as Agent and Attorney-in-
Fact of SUN OIL COMPANY (DELAWARE), a corporation, on behalf of said
corporation.

Darlene Hayden
Notary Public

My Commission Expires:

October 31, 1978

STATE OF Texas |

COUNTY OF Midland |

The foregoing instrument was acknowledged before me this
13 day of July, 1978 by R. E. GALVIN, Attorney-in- Fact
GULF OIL CORPORATION

Emily Jones
Notary Public

My Commission Expires:

NOV 30 1978

UNITED STATES DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

SUN OIL COMPANY

Date of Hearing: 2-14-79

Docket No.: 6450

Exhibit # 4



IN REPLY REFER TO:

United States Department of the Interior

GEOLOGICAL SURVEY

Box 25046

Denver Federal Center

Denver, Colorado 80225

SEP 21 1978

Sun Production Company
Attention: Mr. J. W. Thorton
P. O. Box 2880
Dallas, Texas 75221

Gentlemen:

Your application of August 18, 1978, filed with the Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the East Millman Pool unit area, embracing 920 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', East Millman Pool Unit" is hereby designated as a logical unit area.

Your proposed form of unit agreement with the indicated changes will be acceptable. One copy of the form is enclosed and one copy is being sent to the Oil and Gas Supervisor, Roswell, New Mexico. We hereby concur in the Supervisor's recommendation that the proposed basis for allocating unitized substances be accepted.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.


In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.



When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the standard form of unit agreement for unproved areas (1968 reprint).

Inasmuch as this unit agreement involves State land, we are sending a copy of this letter to the Commissioner of Public Lands, Santa Fe, New Mexico. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,


Regional Conservation Manager
For the Director

Enclosure

STATE OF NEW MEXICO

COMMISSIONER OF PUBLIC LANDS

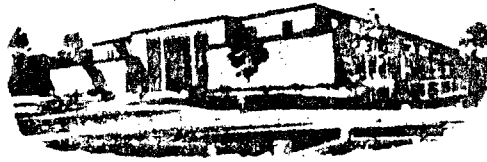
SUN OIL COMPANY

Date of Hearing: 2-14-79

Docket No.: 6450

Exhibit # 5

State of New Mexico



Commissioner of Public Lands

August 1, 1978

PHIL R. LUCERO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Sun Oil Company
P. O. Box 2880
Dallas, Texas 75221

Re: Proposed East Millman Pool Unit
Eddy County, New Mexico

ATTENTION: Mr. Joe W. Thornton

Gentlemen:

We are in receipt of your letter dated July 24, 1978, together with one copy of unit agreement and operating agreement executed by Sun Oil Company and Gulf Oil Corporation. Also, one unexecuted copy of unit agreement and operating agreement for the East Millman Pool Unit, Eddy County, New Mexico.

Your form of agreement meets the requirements of the Commissioner of Public Lands, therefore, your agreement has been approved as to form and content.

On your Exhibit "B", Tract 1, the assignment number should appear right after the lease number (E-4397-3). Under Tract 5, the description should read the SW/4 and not the SE/4. Also the assignment number should appear right after the lease number (OG-272-1).

When submitting your agreement for final approval, the following are required by this office.

1. Application for final approval stating all Tracts committed and Tracts not committed.
2. Copy of letter of designation from the USGS, advising the area is a logical unit area for secondary recovery operations.
3. Two fully executed copies of Unit Agreement—one must contain original signatures, together with two copies of Exhibits "A" and "B".
4. One executed copy of Operating Agreement fully executed by all parties.
5. Two sets of all ratifications from Lessees of Record and Working Interest Owners.

Sun Oil Company
August 1, 1978
Page 2.

6. Order of the New Mexico Oil Conservation Commission.

7. Re-designation of well names and numbers.

8. Initial Plan of Operations.

Your Twenty (\$20.00) Dollar filing fee has been received.

If we may be of further help please do not hesitate to call on
us.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s