

REQUEST FOR UNIT EXPANSION
Haley Chaveroo San Andres Unit
OCD Case Nos. 9589, 9590
March 1, 1989

INDEX OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
A	Expanded Unit Area Map, revised 01/27/89.
B	Correspondence dated 01/30/89 to P.A.J.W. Corporation (Notice of Unit Expansion, approval by WI Owner).
C	Correspondence dated 01/30/89 to American Energy Capital Corporation (Notice of Unit Expansion, approval by WI Owner).
D	Ratification of Unit Agreement by Murphy Operating Corporation, as record title owner.
E	Ratification of Unit Agreement and Unit Operating Agreement by Murphy Operating Corporation, as Unit Operator and WI owner.
F	Ratification of Unit Agreement and Unit Operating Agreement by American Energy Capital Corporation, as WI owner.
G	Ratification of Unit Agreement by Murphy Operating Corporation, as overriding royalty interest owner.
H	Correspondence from State of New Mexico, Commissioner of Public Lands dated 01/09/89 granting preliminary approval of expansion request.
I	Chart of Derivation of Revised Tract Participation Factors.
J	Exhibit "B" to Unit Agreement, revised 01/30/89.
K	Exhibit "C" to Unit Operating Agreement, revised 01/30/89.

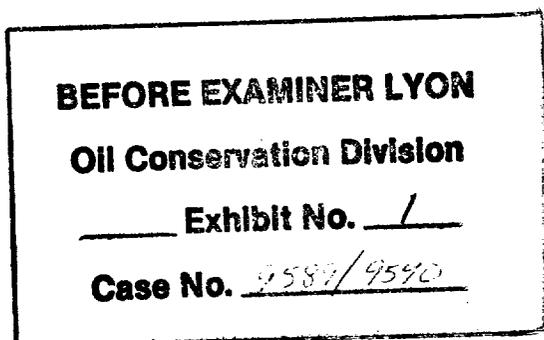
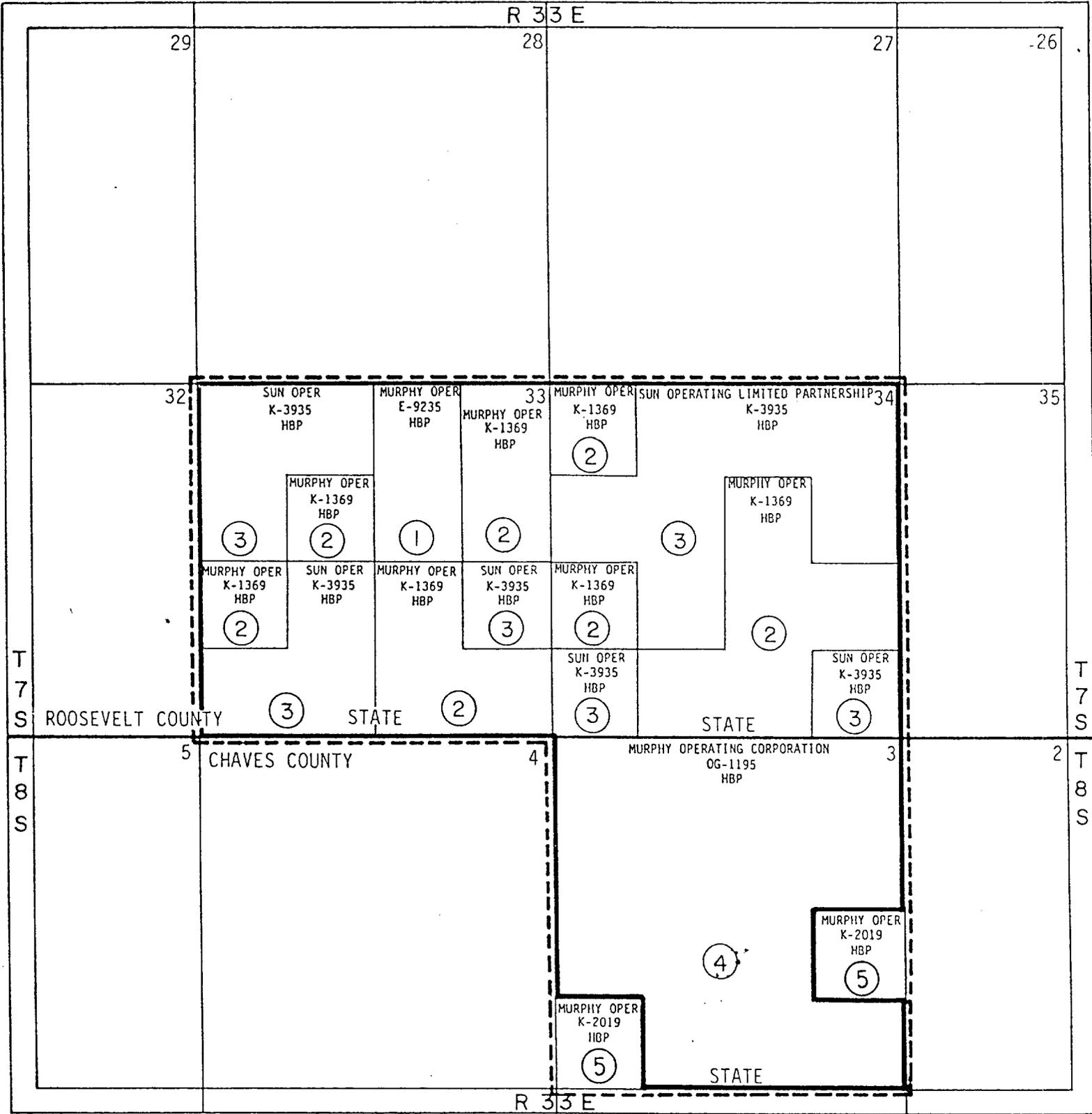


EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN UNIT AGREEMENT, HALEY CHAVEROO SAN ANDRES UNIT, COUNTIES OF CHAVES AND ROOSEVELT, STATE OF NEW MEXICO, DATED AUGUST 15, 1988.

HALEY CHAVEROO SAN ANDRES UNIT CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO



SCALE: 1" = 2000

- TRACT NUMBER
 - UNIT OUTLINE
 - STATE LANDS
 - ORIGINAL UNIT OUTLINE
 - EXPANDED UNIT OUTLINE
- 1,920.70 ACRES
100% UNIT AREA

MAP REVISED 01-27-89

MURPHY OPERATING CORPORATION
 UNITED BANK PLAZA, SUITE 300
 400 NORTH PENNSYLVANIA AVENUE
 POST OFFICE BOX 2648
 ROSWELL, NEW MEXICO 88202-2648

TELEPHONE
 505 623-7210

January 30, 1989

VIA TELEFAX; HARD COPY VIA FEDERAL EXPRESS

John H. Slayton, Esq., Vice President
 P.A.J.W. Corporation
 Suite 953, Watergate 600
 600 New Hampshire, N. W.
 Washington, District of Columbia 20037

Mr. Marcus C. Rowland, Chief Executive Officer ← THIS COPY IS FOR
 American Energy Capital Corporation
 1111 Fannin, Suite 1470
 Houston, Texas 77002

Re: NOTICE OF UNIT EXPANSION:
 EXPANSION OF UNIT BOUNDARIES TO INCLUDE:
Township 8 South, Range 33 East, NMPM
Section 3: NE/4SE/4, SW/4SW/4
 Roosevelt County, New Mexico

Haley Chaveroo San Andres Unit
 Chaves and Roosevelt County, New Mexico

Gentlemen:

As you are aware from our previous correspondence, we are scheduled to go before the New Mexico Oil Conservation Division at 8:00am on Wednesday, February 1, 1989 to request approval for the expansion of the Haley Chaveroo San Andres Unit boundaries. In spite of their earlier expressions of intent to join the Unit, we were informed on Thursday of last week that Bristol Resources Corporation has now decided to decline participation in the Unit. After lengthy discussions, Bristol has agreed to sell to Murphy Operating Corporation and American Energy Capital Corporation the 80-acre tract at issue. Assuming Bristol's title is acceptable, we expect to close this transaction sometime tomorrow with an effective date of February 1, 1989. Due to these altered circumstances, it was necessary to revise the certain exhibits to the Unit documents. I have enclosed herewith for your review and substitution in the Unit documents the following revised exhibits:

1. Exhibit "A", Unit Area Map, to the Unit Agreement;
2. Exhibit "B", Schedule of Tracts and Participation, to the Unit Agreement; and
3. Exhibit "C", Percentage of Unit Participation Schedule, to the Unit Operating Agreement.

To conform to the procedure for expansion of the Unit area as outlined in Section 4 of the Unit Agreement, please bear with me as I reiterate certain of the following information.

Pursuant to Section 4 B.(1), please consider this to be formal notice of the proposed expansion of the Unit boundaries to include the NE/4SE/4 and the SW/4SW/4 of Section 3, Township 8 South, Range 33 East, N.M.P.M., Roosevelt County, New Mexico. This acreage is necessary to promote the conservation of oil and gas and the better utilization of reservoir energy. Under the operations proposed, the State and each beneficiary of the lands involved will receive its fair share of the recoverable oil and gas in place under its lands in the area affected, and the proposed Unit, as expanded, and waterflood project is in all other respects for the best interest of the State and will prevent waste and protect correlative rights.

As stated to the Office of the State Land Commissioner and to the New Mexico Oil Conservation Division, it was not previously possible to obtain voluntary joinder by the owner of this acreage at the time of the original unitization proceedings because this tract was involved in a sale by broker. However, the new owner has agreed to sell the tract to certain existing Unit participants who, in turn, wish to include the tract in the Unit.

Based upon the original tract participation formula as contained in Section 12 of the Unit Agreement and as approved by the appropriate governing bodies, the tract participation percentage allocated to this additional tract shall be 4.696542. The revised tract participation of the respective tracts included within the Unit area prior to this enlargement remains in the same ratio of one to another.

The effective date of the joinder and the revised tract participation percentages shall be February 1, 1989. Please be advised that thirty (30) days will be allowed for your submittal to the Unit Operator of any objections to such proposed expansion unless you indicate your approval of the expansion and waiver of the 30-day period by executing in the space provided below.

If the foregoing meets with your approval and you agree to be bound by the terms of the expansion of the Unit boundaries as outlined hereinabove and as set forth in the enclosed Exhibits, please so indicate by providing your signature in the space below and return one copy to us by telefax by 12:00 noon, MST, Tuesday, January 31, 1989. The hard copy should be returned by an express courier.

Sincerely,

MURPHY OPERATING CORPORATION



Ann Murphy Ezzell, Esq.
Chairman and Chief Executive Officer

AME:fnr
cc: Mr. Tom R. Moore

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE EXPANSION OF THE HALEY CHAVEROO SAN ANDRES UNIT AS OUTLINED HEREINABOVE AND IN THE ATTACHED EXHIBITS. FURTHER, THE UNDERSIGNED EXPRESSLY WAIVES THE 30-DAY PERIOD FOR OBJECTIONS TO THE EXPANSION AS PROVIDED BY 14.b.(2) OF THE UNIT AGREEMENT.

AMERICAN ENERGY CAPITAL CORPORATION

Dated: January 31, 1989


Marcus C. Rowland, C.E.O. ✓

P.A.J.W. CORPORATION

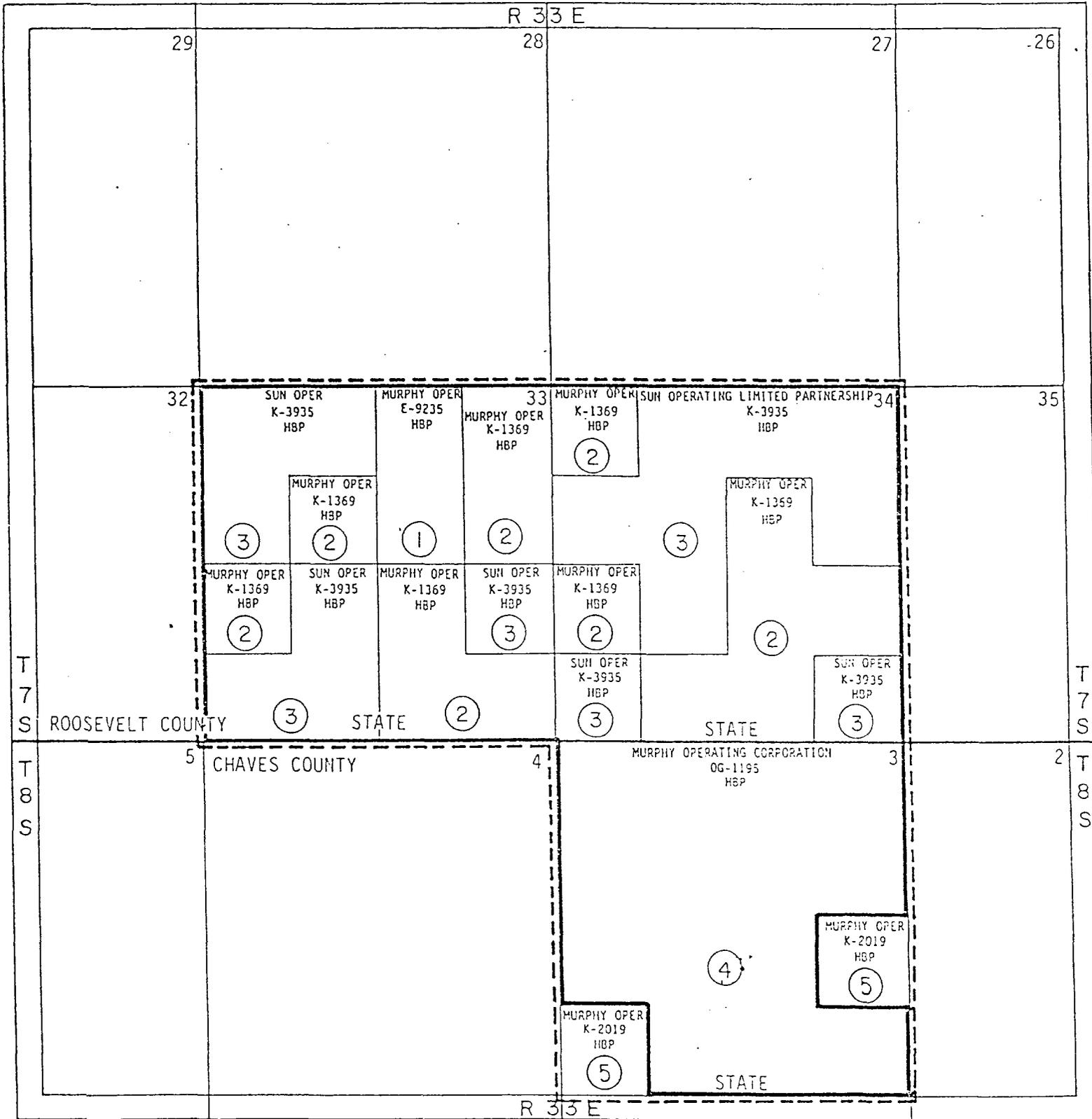
Dated: _____

John H. Slayton, Vice President

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN UNIT AGREEMENT, HALEY CHAVEROO
SAN ANDRES UNIT, COUNTIES OF CHAVES AND ROOSEVELT, STATE OF NEW MEXICO,
DATED AUGUST 15, 1988.

HALEY CHAVEROO SAN ANDRES UNIT CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO



SCALE: 1" = 2000

- TRACT NUMBER
 - UNIT OUTLINE
 - STATE LANDS
 - ORIGINAL UNIT OUTLINE
 - EXPANDED UNIT OUTLINE
- 1,920.70 ACRES
100% UNIT AREA

MAP REVISED 01-27-89

EXHIBIT "B" TO UNIT AGREEMENT
 HALEY CHAVEROO SAN ANDRES UNIT
 CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

Tract No.	Lease Name, Description of Land, and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Royalty & Percentage	Overriding Royalty Owner or Production Payment Interest (PPI)	Percent Ownership	W.I.		
							San Andres Production W.I. Ownership	Percent Ownership	San Andres Production W.I. Ownership
1.	Hobbs U T-7-S, R-33-E Sec. 33: W $\frac{1}{2}$ /NE $\frac{1}{4}$ 80.00 acres	E-9235-6 8/16/55	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	0.629825 2.834213 1.574563 5.038601
2.	Hobbs T T-7-S, R-33-E Sec. 33: E $\frac{1}{2}$ /NE $\frac{1}{4}$, SE $\frac{1}{4}$ /NW $\frac{1}{4}$, NW $\frac{1}{4}$ /SW $\frac{1}{4}$, W $\frac{1}{2}$ /SE $\frac{1}{4}$, SE $\frac{1}{4}$ /SE $\frac{1}{4}$ Sec. 34: NW $\frac{1}{4}$ /NW $\frac{1}{4}$, SW $\frac{1}{4}$ /NE $\frac{1}{4}$, NW $\frac{1}{4}$ /SW $\frac{1}{4}$, SE $\frac{1}{4}$ /SW $\frac{1}{4}$, N $\frac{1}{2}$ /SE $\frac{1}{4}$, SW $\frac{1}{4}$ /SE $\frac{1}{4}$ 560.00 acres Roosevelt County, N.M.	K-1369-3 4/18/61	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.303635 19.366356 10.759087 34.429078
3.	State AZ T-7-S, R-33-E Sec. 33: N $\frac{1}{2}$ /NW $\frac{1}{4}$, SW $\frac{1}{4}$ /NW $\frac{1}{4}$, NE $\frac{1}{4}$ /SW $\frac{1}{4}$, S $\frac{1}{2}$ /SW $\frac{1}{4}$, NE $\frac{1}{4}$ /SE $\frac{1}{4}$ Sec. 34: SW $\frac{1}{4}$ /NW $\frac{1}{4}$, E $\frac{1}{2}$ /NW $\frac{1}{4}$, N $\frac{1}{2}$ /NE $\frac{1}{4}$, SE $\frac{1}{4}$ /NE $\frac{1}{4}$, NE $\frac{1}{4}$ /SW $\frac{1}{4}$, SW $\frac{1}{4}$ /SW $\frac{1}{4}$, SE $\frac{1}{4}$ /SE $\frac{1}{4}$ 640.00 acres Roosevelt County, N.M.	K-3935-1 2/18/64	Sun Operating Limited Partnership	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.084404 18.379817 10.211009 32.675230
4.	State BF T-8-S, R-33-E Sec. 3: Lots 1, 2, 3, 4, S $\frac{1}{2}$ /N $\frac{1}{2}$, N $\frac{1}{2}$ /SW $\frac{1}{4}$, SE $\frac{1}{4}$ /SW $\frac{1}{4}$, W $\frac{1}{2}$ /SE $\frac{1}{4}$, SE $\frac{1}{4}$ /SE $\frac{1}{4}$ 560.70 acres Chaves County, N.M.	OG-1195-2 8/20/57	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	2.895068 13.027809 7.237672 23.160549
5.	Champlin State T-8-S, R-33-E Sec. 3: NE $\frac{1}{4}$ /SE $\frac{1}{4}$, SW $\frac{1}{4}$ /SW $\frac{1}{4}$ 80.00 acres Chaves County, N.M.	K-2019 12/19/61	Murphy Operating Corporation	State of N.M. 12.5	None	--	Murphy Operating Corporation American Energy Capital Corp.	12.50000 87.50000 100.00000	0.587068 4.109474 4.696542

TOTAL STATE ACREAGE 1,920.70 = 100% of Unit
 TOTAL UNIT ACREAGE 1,920.70

GRAND TOTAL 100.000000

EXHIBIT "C"

Attached to that certain Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico, dated August 15, 1988.

(revised 01/30/89)

HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

<u>UNIT INTEREST OWNER</u>	<u>PERCENTAGE UNIT PARTICIPATION</u>
American Energy Capital Corporation	57.717669
Murphy Operating Corporation	12.500000
P.A.J.W. Corporation	<u>29.782331</u>
Total	<u>100.000000</u>

RETURN THIS COPY

MURPHY OPERATING CORPORATION
UNITED BANK PLAZA, SUITE 300
400 NORTH PENNSYLVANIA AVENUE
POST OFFICE BOX 2648
ROSWELL, NEW MEXICO 88202-2648

TELEPHONE
505 623-7210

January 30, 1989

VIA TELEFAX; HARD COPY VIA FEDERAL EXPRESS

John H. Slayton, Esq., Vice President ← THIS COPY IS FOR
P.A.J.W. Corporation
Suite 953, Watergate 600
600 New Hampshire, N. W.
Washington, District of Columbia 20037

Mr. Murray C. McKinnon, President
American Energy Capital Corporation
1111 Fannin, Suite 1470
Houston, Texas 77002

Re: NOTICE OF UNIT EXPANSION:
EXPANSION OF UNIT BOUNDARIES TO INCLUDE:
Township 8 South, Range 33 East, NMPM
Section 3: NE/4SE/4, SW/4SW/4
Roosevelt County, New Mexico

Haley Chaveroo San Andres Unit
Chaves and Roosevelt County, New Mexico

Gentlemen:

As you are aware from our previous correspondence, we are scheduled to go before the New Mexico Oil Conservation Division at 8:00am on Wednesday, February 1, 1989 to request approval for the expansion of the Haley Chaveroo San Andres Unit boundaries. In spite of their earlier expressions of intent to join the Unit, we were informed on Thursday of last week that Bristol Resources Corporation has now decided to decline participation in the Unit. After lengthy discussions, Bristol has agreed to sell to Murphy Operating Corporation and American Energy Capital Corporation the 80-acre tract at issue. Assuming Bristol's title is acceptable, we expect to close this transaction sometime tomorrow with an effective date of February 1, 1989. Due to these altered circumstances, it was necessary to revise the certain exhibits to the Unit documents. I have enclosed herewith for your review and substitution in the Unit documents the following revised exhibits:

1. Exhibit "A", Unit Area Map, to the Unit Agreement;
2. Exhibit "B", Schedule of Tracts and Participation, to the Unit Agreement; and
3. Exhibit "C", Percentage of Unit Participation Schedule, to the Unit Operating Agreement.

To conform to the procedure for expansion of the Unit area as outlined in Section 4 of the Unit Agreement, please bear with me as I reiterate certain of the following information.

Pursuant to Section 4 B.(1), please consider this to be formal notice of the proposed expansion of the Unit boundaries to include the NE/4SE/4 and the SW/4SW/4 of Section 3, Township 8 South, Range 33 East, N.M.P.M., Roosevelt County, New Mexico. This acreage is necessary to promote the conservation of oil and gas and the better utilization of reservoir energy. Under the operations proposed, the State and each beneficiary of the lands involved will receive its fair share of the recoverable oil and gas in place under its lands in the area affected, and the proposed Unit, as expanded, and waterflood project is in all other respects for the best interest of the State and will prevent waste and protect correlative rights.

As stated to the Office of the State Land Commissioner and to the New Mexico Oil Conservation Division, it was not previously possible to obtain voluntary joinder by the owner of this acreage at the time of the original unitization proceedings because this tract was involved in a sale by broker. However, the new owner has agreed to sell the tract to certain existing Unit participants who, in turn, wish to include the tract in the Unit.

Based upon the original tract participation formula as contained in Section 12 of the Unit Agreement and as approved by the appropriate governing bodies, the tract participation percentage allocated to this additional tract shall be 4.696542. The revised tract participation of the respective tracts included within the Unit area prior to this enlargement remains in the same ratio of one to another.

The effective date of the joinder and the revised tract participation percentages shall be February 1, 1989. Please be advised that thirty (30) days will be allowed for your submittal to the Unit Operator of any objections to such proposed expansion unless you indicate your approval of the expansion and waiver of the 30-day period by executing in the space provided below.

If the foregoing meets with your approval and you agree to be bound by the terms of the expansion of the Unit boundaries as outlined hereinabove and as set forth in the enclosed Exhibits, please so indicate by providing your signature in the space below and return one copy to us by telefax by 12:00 noon, MST, Tuesday, January 31, 1989. The hard copy should be returned by an express courier.

Sincerely,

MURPHY OPERATING CORPORATION



Ann Murphy Ezzell, Esq.
Chairman and Chief Executive Officer

AME:fnr
cc: Mr. Tom R. Moore

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE EXPANSION OF THE HALEY CHAVEROO SAN ANDRES UNIT AS OUTLINED HEREINABOVE AND IN THE ATTACHED EXHIBITS. FURTHER, THE UNDERSIGNED EXPRESSLY WAIVES THE 30-DAY PERIOD FOR OBJECTIONS TO THE EXPANSION AS PROVIDED BY ¶4.b.(2) OF THE UNIT AGREEMENT.

AMERICAN ENERGY CAPITAL CORPORATION

Dated: _____

Marcus C. Rowland, C.E.O.

P.A.J.W. CORPORATION

Dated: 2/24/89

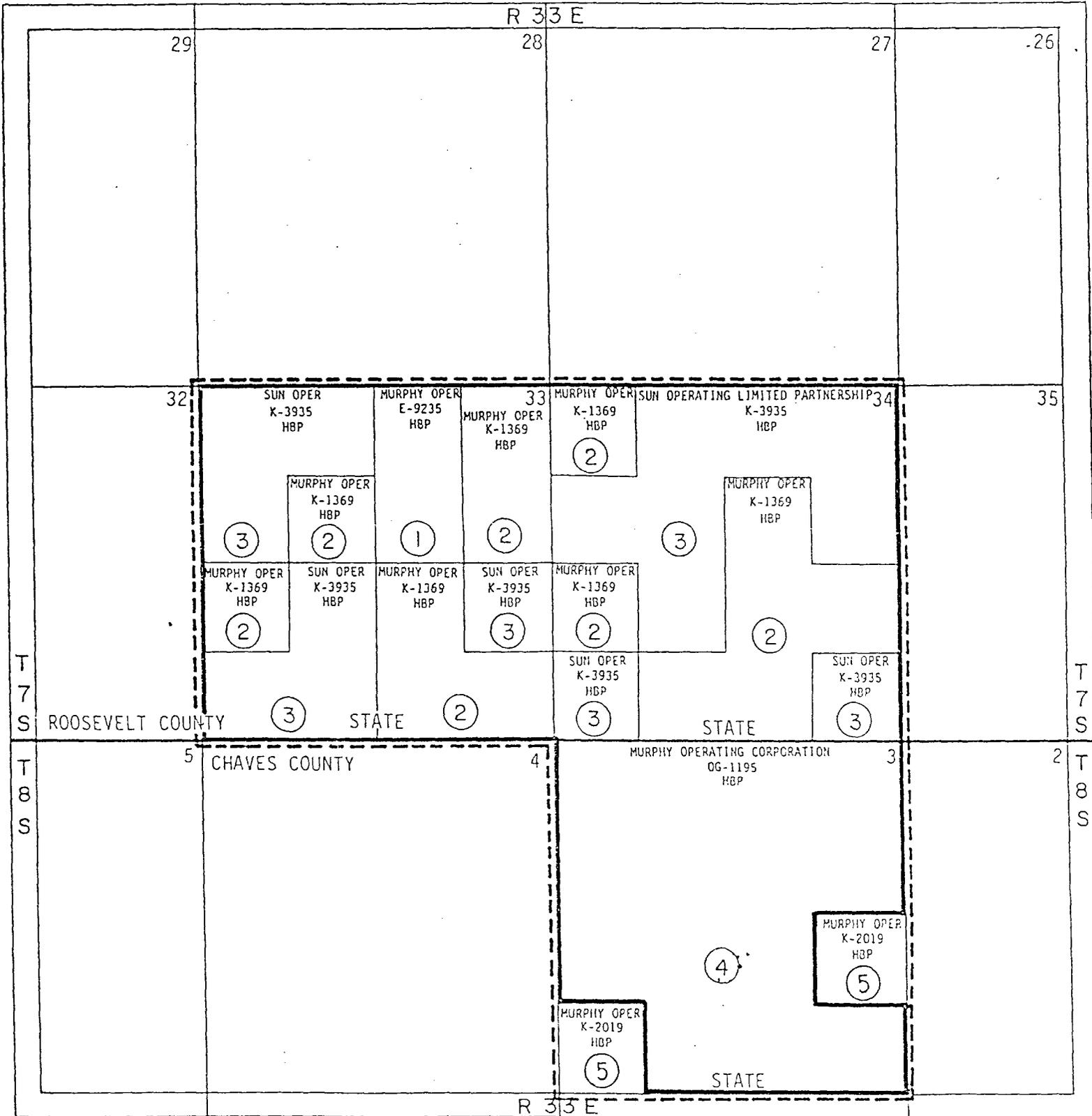


John H. Slayton, Vice President

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN UNIT AGREEMENT, HALEY CHAVEROO
SAN ANDRES UNIT, COUNTIES OF CHAVES AND ROOSEVELT, STATE OF NEW MEXICO,
DATED AUGUST 15, 1988.

HALEY CHAVEROO SAN ANDRES UNIT CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO



SCALE: 1" = 2000'

- TRACT NUMBER
- UNIT OUTLINE
- STATE LANDS
- ORIGINAL UNIT OUTLINE
- EXPANDED UNIT OUTLINE

1,920.70 ACRES
100% UNIT AREA

MAP REVISED 01-27-85

EXHIBIT "B" TO UNIT AGREEMENT
HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

Tract No.	Lease Name, Description of Land, and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Royalty		Overriding Royalty		San Andres Production		W.I.	
				& Percentage	Payment Interest (PPI)	Owner or Production	Payment Interest (PPI)	W.I. Ownership	W.I. Ownership	Percent	Percent Unit Participation
1.	Hobbs U T-7-S, R-33-E Sec. 33: W $\frac{1}{2}$ /NE $\frac{1}{4}$ 80.00 acres	E-9235-6 8/16/55	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	0.629825 2.834213 1.574563 5.038601	
2.	Hobbs T T-7-S, R-33-E Sec. 33: E $\frac{1}{2}$ /NE $\frac{1}{4}$, SE $\frac{1}{4}$ /NW $\frac{1}{4}$, NW $\frac{1}{4}$ /SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 34: NW $\frac{1}{4}$ /NW $\frac{1}{4}$, SW $\frac{1}{4}$ /NE $\frac{1}{4}$, NW $\frac{1}{4}$ /SW $\frac{1}{4}$, SE $\frac{1}{4}$ /SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ 560.00 acres Roosevelt County, N.M.	K-1369-3 4/18/61	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	2.34375	12.50000 56.25000 31.25000 100.00000	4.303635 19.366356 10.759087 34.429078		
3.	State AZ T-7-S, R-33-E Sec. 33: N $\frac{1}{2}$ /NW $\frac{1}{4}$, SW $\frac{1}{4}$ /NW $\frac{1}{4}$, NE $\frac{1}{4}$ /SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 34: SW $\frac{1}{4}$ /NW $\frac{1}{4}$, E $\frac{1}{2}$ /NW $\frac{1}{4}$, N $\frac{1}{2}$ /NE $\frac{1}{4}$, SE $\frac{1}{4}$ /NE $\frac{1}{4}$, NE $\frac{1}{4}$ /SW $\frac{1}{4}$, SW $\frac{1}{4}$ /SW $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ 640.00 acres Roosevelt County, N.M.	K-3935-1 2/18/64	Sun Operating Limited Partnership	State of N.M. 12.5%	Murphy Operating Corp.	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	2.34375	12.50000 56.25000 31.25000 100.00000	4.084404 18.379817 10.211009 32.675230		
4.	State BF T-8-S, R-33-E Sec. 3: Lots 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, N $\frac{1}{2}$ /SW $\frac{1}{4}$, SE $\frac{1}{4}$ /SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ 560.70 acres Chaves County, N.M.	OG-1195-2 8/20/57	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	2.34375	12.50000 56.25000 31.25000 100.00000	2.895068 13.027809 7.237672 23.160549		
5.	Champlin State T-8-S, R-33-E Sec. 3: NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ /SW $\frac{1}{4}$ 80.00 acres Chaves County, N.M.	K-2019 12/19/61	Murphy Operating Corporation	State of N.M. 12.5%	None	Murphy Operating Corporation American Energy Capital Corp.	--	12.50000 87.50000 100.00000	0.587068 4.109474 4.696542		

TOTAL STATE ACREAGE 1,920.70 = 100% of Unit
TOTAL UNIT ACREAGE 1,920.70

GRAND TOTAL 100.000000

EXHIBIT "C"

Attached to that certain Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico, dated August 15, 1988.

(revised 01/30/89)

HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

<u>UNIT INTEREST OWNER</u>	<u>PERCENTAGE UNIT PARTICIPATION</u>
American Energy Capital Corporation	57.717669
Murphy Operating Corporation	12.500000
P.A.J.W. Corporation	<u>29.782331</u>
Total	<u>100.000000</u>

(Record Title)

RATIFICATION OF AGREEMENT ENTITLED
"UNIT AGREEMENT"
HALEY CHAVEROO SAN ANDRES UNIT
ROOSEVELT AND CHAVES COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned owner of a record title interest or interests hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Roosevelt and Chaves, State of New Mexico," (hereinafter the "Unit Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is a "Lessee of Record" as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, the undersigned "Lessee of Record", being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement.

NOW THEREFORE, the undersigned who is the owner of a record title interest or interests only does hereby ratify and confirm said Unit Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of February, 1989.

MURPHY OPERATING CORPORATION

ATTEST:

Nadine Reed
Nadine Reed, Secretary

By: Ann Murphy Ezzell
Ann Murphy Ezzell, Chairman & C.E.O.

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Ann Murphy Ezzell, Chairman and Chief Executive Officer of Murphy Operating Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

August 24, 1990

Clara Talbert
Clara Talbert, Notary Public

(Unit Operator and W.I. Owner)

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned Unit Operator of the Unit and owner of a working interest(s) hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Agreement") and a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Operating Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of the Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is the Unit Operator of the Unit and a Working Interest Owner, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, the undersigned Working Interest Owner and Unit Operator of the Unit, being familiar with the contents thereof, desires to ratify and confirm the Unit Agreement and the Unit Operating Agreement.

NOW THEREFORE, the undersigned, who is the Unit Operator of the Unit and the owner of a working interest(s) does hereby ratify and confirm the Unit Agreement and the Unit Operating Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of February, 1989.

"UNIT OPERATOR AND WORKING INTEREST OWNER"
MURPHY OPERATING CORPORATION

ATTEST:

Nadine Reed
Nadine Reed, Secretary

Ann Murphy Ezzell
Ann Murphy Ezzell, Chairman & C.E.O.

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Ann Murphy Ezzell, Chairman and Chief Executive Officer of Murphy Operating Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:
August 24, 1990

Clara Talbert
Clara Talbert, Notary Public

(W.I. Owner)

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned owner of a working interest(s) hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Agreement") and a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Operating Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of the Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

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

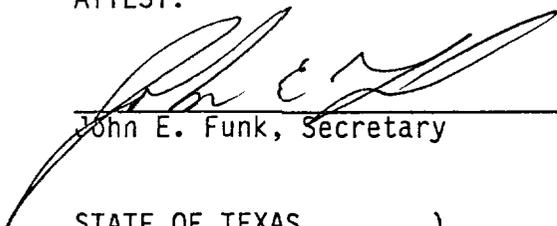
WHEREAS, the undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm the Unit Agreement and the Unit Operating Agreement.

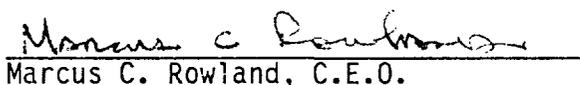
NOW THEREFORE, the undersigned, who is the owner of a working interest(s) does hereby ratify and confirm the Unit Agreement and the Unit Operating Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of February, 1989.

"WORKING INTEREST OWNER"
AMERICAN ENERGY CAPITAL CORPORATION

ATTEST:


John E. Funk, Secretary

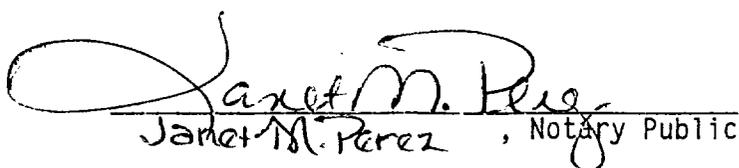

Marcus C. Rowland, C.E.O.

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by MARCUS C. ROWLAND, Chief Executive Officer of American Energy Capital Corporation, a Texas corporation, on behalf of said corporation.

My Commission Expires:

12-10-91


Janet M. Perez, Notary Public

(Overriding Royalty Interest Owner)

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned owner of an overriding royalty interest(s) hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Roosevelt and Chaves, State of New Mexico," (hereinafter the "Unit Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is an overriding royalty interest owner as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, the undersigned overriding royalty interest owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement.

NOW THEREFORE, the undersigned who is the owner of an overriding royalty interest(s) only does hereby ratify and confirm said Unit Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of October, 1988.

MURPHY OPERATING CORPORATION

ATTEST:

Nadine Reed
Nadine Reed, Secretary

By: Ann Murphy Ezzell
Ann Murphy Ezzell, Chairman & C.E.O.

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Ann Murphy Ezzell, Chairman and Chief Executive Officer of Murphy Operating Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

August 24, 1990

Clara Talbert
Clara Talbert, Notary Public

SLO REF NO OG-998



W.R. HUMPHRIES
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

January 9, 1989

Murphy Operating Corporation
Attn: Mrs. Ann Murphy Ezzell, Esq.
P. O. Box 2648
Roswell, New Mexico 88202-2648

Re: Haley Chaveroo San Andres Unit,
Chaves & Roosevelt Counties, NM
Notice of Proposed Unit Expansion

Gentlemen:

This office is in receipt of your letter of January 4, 1989, wherein Murphy Operating Corporation as Unit Operator of the Haley Chaveroo San Andres Unit area, has notified this office of the proposed expansion of the Unit boundaries to include 80.00 acres described as the NE $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 3, Township 8 South, Range 33 East, Roosevelt County, New Mexico.

Please be advised that the Commissioner of Public Lands has no objection to your proposed request, and has this date granted you preliminary approval to expand said unit area.

Upon the expiration of the thirty-day notice period for expansion, please submit the following:

1. Three copies of your final application for approval. Your application should include a statement that all principals were provided proper notice, with a copy of any objections that have been received by the unit operator. The application should also contain a copy of the notice indicating the proposed effective date.
2. An instrument containing the appropriate joinders in compliance with the qualification requirements of Section 13, Tracts Qualified for Unit Participation.

EXHIBIT H

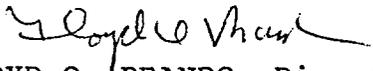
Murphy Operating Corporation
January 9, 1989
page 2

3. Approval by the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

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

Very truly yours,

W. R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5744

WRH/FOP/pm
encls.
cc: OCD

Exhibit "VIII.H." PROPOSED HALEY CHAVEROO SAN ANDRES UNIT
Chaves and Roosevelt Counties, New Mexico
Derivation of Tract Participation Factors

Tract	Original Well #	Well Location	Status	New Unit Well #	A		B		Tract Participation Factor
					Useable Wells %	#	Total Primary Recovery to 01 January 1988 Bbls	100% X	
1 Hobbs U	1G	33 7S 33E	P	33-07		1	100275		<u>05.038601</u>
	2B	33 7S 33E	S	33-02		1	66487		
2 Hobbs T	1F	33 7S 33E	P	33-06		1	82021		<u>34.429078</u>
	2L	33 7S 33E	P	33-12		1	76911		
	3J	33 7S 33E	P	33-10		1	73511		
	4O	33 7S 33E	P	33-15		1	72522		
	5H	33 7S 33E	P	33-08		1	84659		
	6A	33 7S 33E	P	33-01		1	98925		
	7L	34 7S 33E	S	34-12		1	84303		
	8J	34 7S 33E	P	34-10		1	79943		
	9O	34 7S 33E	P	34-04		1	139994		
	10G	34 7S 33E	P	34-07		1	84118		
	11P	34 7S 33E	P	33-16		1	0		
	12I	34 7S 33E	S	34-09		1	69872		
	13N	34 7S 33E	P	34-14		1	79392		
	15O	34 7S 33E	P	34-15		1	107021		
						14	<u>1133192</u>	<u>34.896813</u>	
3 State A Z	1E	33 7S 33E	P	33-05		1	86381		<u>32.675230</u>
	2K	33 7S 33E	T	33-11		1	67376		
	3C	33 7S 33E	T	33-03		1	59822		
	4M	33 7S 33E	T	33-13		1	47936		
	5D	33 7S 33E	A	33-04		1	40372		
	6N	33 7S 33E	T	33-14		1	56354		
	7I	33 7S 33E	T	33-09		1	20110		
	8E	34 7S 33E	S	34-05		1	94747		
	9F	34 7S 33E	S	34-06		1	103085		
	10K	34 7S 33E	S	34-11		1	48196		
	11C	34 7S 33E	S	34-03		1	87215		
	12B	34 7S 33E	S	34-02		1	63375		
	13A	34 7S 33E	T	34-01		1	65803		
	14H	34 7S 33E	S	34-08		1	60623		
	15P	34 7S 33E	T	34-16		1	50591		
	16M	34 7S 33E	T	34-13		1	72257		
					16	<u>1024243</u>	<u>31.541713</u>	<u>25.233370</u>	
4 State B F (Atlantic Rich- field)	1A	3 8S 33E	S	03-01		1	104982		<u>23.160549</u>
	2B	3 8S 33E	P	03-02		1	54716		
	3C	3 8S 33E	P	03-03		1	39794		
	4H	3 8S 33E	F	03-08		1	92213		
	5D	3 8S 33E	A	03-04		0	111		
	6G	3 8S 33E	F	03-07		1	88977		
	7F	3 8S 33E	P	03-06		1	51880		
	8J	3 8S 33E	P	03-10		1	98505		
	9P	3 8S 33E	P	03-10		1	93017		
	10O	3 8S 33E	P	03-16		1	123713		
(Tierra Ex/ Annarco)	11K	3 8S 33E	P	03-11		1	3403		<u>04.696542</u>
	N	3 8S 33E	A	Undrilled		0	0		
	E	3 8S 33E	Undrilled	Undrilled		0	0		
					10	<u>751311</u>	<u>23.136732</u>	<u>18.509385</u>	
5 Bristol					1	<u>171757</u>	<u>05.289282</u>	<u>04.231425</u>	<u>100.000000%</u>
					43	<u>3247265</u>	<u>100.000000%</u>	<u>80.000000%</u>	
Totals									<u>100.000000%</u>

*Based upon the 1987 Annual Report of the New Mexico Oil and Gas Engineering Committee.

Tract Participation Formula
 Tract Participation = 20% A + 80% B
 Where A = Percent of Total Useable Wells in Unit Area.
 Where B = Percent of Total Primary Oil Recovery in Unit Area as of January 1, 1988.

Legend
 A Permanently Abandoned
 F Flowing
 I Injection
 P Producing
 S Shut In

EXHIBIT "B" TO UNIT AGREEMENT
 HALEY CHAVEROO SAN ANDRES UNIT
 CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

Tract No.	Lease Name, Description of Land, and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Royalty & Percentage		Overriding Royalty Owner or Production Payment Interest (PPI)		San Andres Production W.I. Ownership	W.I.	
				State of N.M.	12.5%	Murphy Operating Corp.	2.34375		Murphy Operating Corp.	2.34375
1.	Hobbs U T-7-S, R-33-E Sec. 33: W½/NE¼ 80.00 acres	E-9235-6 8/16/55	Murphy Operating Corporation	State of N.M.	12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	0.629825 2.834213 1.574563 5.038601
2.	Hobbs T T-7-S, R-33-E Sec. 33: E½/NE¼, SE¼/NE¼, NW¼/SE¼ Sec. 34: NW¼/NE¼, SW¼/NE¼, NW¼/SE¼, SE¼/SE¼, N½/SE¼, SW¼/SE¼ 560.00 acres Roosevelt County, N.M.	K-1369-3 4/18/61	Murphy Operating Corporation	State of N.M.	12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.303635 19.366356 10.759087 34.429078
3.	State AZ T-7-S, R-33-E Sec. 33: N½/NE¼, SW¼/NE¼, NE¼/SE¼, S½/SE¼, NE¼/SE¼ Sec. 34: SW¼/NE¼, E½/NE¼, N½/NE¼, SE¼/NE¼, NE¼/SE¼, SW¼/SE¼, SE¼/SE¼ 640.00 acres Roosevelt County, N.M.	K-3935-1 2/18/64	Sun Operating Limited Partnership	State of N.M.	12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.084404 18.379817 10.211009 32.675230
4.	State BF T-8-S, R-33-E Sec. 3: Lots 1, 2, 3, 4, S½/N½, N½/SW¼, SE¼/SW¼, W½/SE¼, SE¼/SE¼ 560.70 acres Chaves County, N.M.	OG-1195-2 8/20/57	Murphy Operating Corporation	State of N.M.	12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	2.895068 13.027809 7.237672 23.160549
5.	Chaplin State T-8-S, R-33-E Sec. 3: NE¼/SE¼, SW¼/SE¼ 80.00 acres Chaves County, N.M.	K-2019 12/19/61	Murphy Operating Corporation	State of N.M.	12.5	None	--	Murphy Operating Corporation American Energy Capital Corp.	12.50000 87.50000 100.00000	0.587068 4.109474 4.696542

TOTAL STATE ACREAGE 1,920.70 = 100% of Unit
 TOTAL UNIT ACREAGE 1,920.70
 GRAND TOTAL 100.000000

EXHIBIT "C"

Attached to that certain Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico, dated August 15, 1988.

(revised 01/30/89)

HALEY CHAVEROO SAN ANDRES UNIT
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

<u>UNIT INTEREST OWNER</u>	<u>PERCENTAGE UNIT PARTICIPATION</u>
American Energy Capital Corporation	57.717669
Murphy Operating Corporation	12.500000
P.A.J.W. Corporation	<u>29.782331</u>
Total	<u><u>100.000000</u></u>