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DEPARTMENT OF THE INTERIOR

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FUNDING NOTICE OF WORKS ON WELLS

NOTICE OF WORKS ON WELLS	CONSTRUCTION OF WATER SUPPLY
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Well No. \_\_\_\_\_

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The purpose is drill this well to a depth of approximately 4500' with a...

Approximately 1800' of new 4 1/2" casing to be set in/return hole...

Approximately 4500' of new 4 1/2" casing to be set in/C.P. and cemented...

Company **Super Drilling Company**  
 Address **Hotchkiss, New Mexico**

*Paulley*  
 Exec. Vice-Pres. & Treas.

CHAPTER

Dept. No.

SECTION


100% and from

100% and from

Put to producing

barrels of fluid per 1000 ft. of

Gravity °Bé

Gallons gasoline per 1000 cu. ft. of gas

EMPLOYEES

DATE

TIME

FORMATION RECORD

DEPTH	FORMATION	REMARKS	FORMATION
100	Red rock		
110	Shaly		
120	Silt & red bed		
130	Silt		
140	Shaly		
150	lime		
160	Shaly		
170	Red sand		
180	Shaly & lime		
190	lime		

Checked by J. E. [illegible]

*[Handwritten signature]*

ILLEGIBLE


U.S. GEOLOGICAL SURVEY  
 OFFICE OF LAND SURVEYING

U. S. LAND OFFICE  
 BUREAU OF LAND SURVEY  
 LAND OR FUEL TO PRODUCE

NOV 15 1957

UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 GEOLOGICAL SURVEY

RECEIVED

3

LOG OF OIL OR GAS WELL

NOV 15 1957

Location: Artesia, New Mexico  
 Name of Well: Artesia  
 Field: Artesia State: New Mexico  
 Section: 2 Township: 36N Range: 18E County: Lea  
 No. of Well: 1 of 1 in 1 Section of 2 Acres. Elevation: 5000

The information given herewith is a complete and correct record of the well and all work done thereon.  
 Date: November 1, 1957

The summary on this page is for the duration of the well. Date:  
 Commenced drilling: August 12, 1957 Finished drilling: October 21, 1957

Drill pipe size: 4 1/2 inch  
 No. 1 from 0 to 0  
 No. 2 from 0 to 0  
 No. 3 from 0 to 0  
 No. 1 from 0 to 0  
 No. 2 from 0 to 0

Time	Weight per foot	Volume per foot	Mud	Amount	Depth of hole	Mud weight	Perforated		Remarks
							From	To	

MUDDING AND CEMENTING RECORD

Time	Where	Name	Quantity	After	Remarks

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 or 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 all reasonable and prudent 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 and the A.O. is hereby empowered to enter into a borderline 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. LOSS OF TITLE. In the event title to any Tract of unitized land shall fail and the true owner cannot be induced to join in this Agreement, such Tract shall be automatically regarded as not committed hereto, 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 to any Royalty, Working Interest, or other interests subject thereto, payment or

delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that, as to Federal lands or leases, no payments of fund due the United States shall be withheld, but such funds shall be deposited as directed by the A.O. 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.

If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to as Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgement of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

Each Working Interest Owner shall indemnify, hold harmless, and defend all other Working Interest Owners against any and all claims by any party against the interest attributed to such Working Interest Owner on Exhibits

"B-1" and "B-2".

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary shall and by his approval hereof, or by the approval hereof by his duly authorized representative, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

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

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each Tract subject to this Agreement, regardless of whether there is any development of any 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 within the Unit Area pursuant to direction or consent of the A.O., or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each Tract within the Unitized Area.

(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) 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 nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 23. 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 24. 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 A.O. and the Commission.

If this Agreement does not become effective on or before January 1, 1992, 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 Unit Participation of at least seventy-five percent (75%); and at least seventy-five percent (75%) of such working Interest Owners committed to this Agreement have decided to extend Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so extended and this Agreement does not become effective on or before Extended Expiration Date, it shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Lea County, New Mexico, where a counterpart of this Agreement has become effective according to its terms and stating further the Effective Date.

The terms of this Agreement shall be for and during the time that Unitized Substances are produced from the unitized land and 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 A.O. by Working Interest Owners owning seventy-five percent (75%) 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 Lea 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.

Notwithstanding any other provision in 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 25. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by and duly authorized person or regulatory body under any Federal or State statute. The A.O. 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 Division 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 alternation or modification; provided, further, that no such alteration or modification shall be effective as to any lands in 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 Division.

Powers in this Section vested in the A.O. 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 26. NONDISCRIMINATION. Unit Operator in connection with the performance of work under this Agreement relating to leases of the United States, agrees to comply with all of the provisions of Section 202(1) to (7) inclusive of Executive Order 11246, (30 F.R. 12319), which are hereby incorporated by reference in this Agreement.

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any interests affected hereby before the Department, and the Division, and to appeal from any order issued under the rules and regulations of the Department or the Division, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department or the Division 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 28. 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 last known address set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other addresses as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 29. 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 waiver; provided, however, each party hereto covenants that it will not resort to any action to partition the unitized land or the Unit Equipment.

SECTION 30. 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 31. 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 or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

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 Formation not committed hereto prior to submission of this Agreement to the A.O. 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 Tract Participation as provided in Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after 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 A.O. 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 Federal land is involved, such joinder must be approved by the A.O. 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 A.O. 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 A.O., 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 described Unit Area. Furthermore, this Agreement shall extend to and be binding on the parties hereto, their successors, heirs and assigns.

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 or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on

their respective allocated share of said Unitized Substances. No taxes shall be charged to the United States nor to any lessor who has a contact 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 obligation 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 Unit Area in order to ascertain the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 a.m. on 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 Working 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 overproduction 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.

SECTION 38. NO SHARING OF MARKET. This Agreement is not intended to provide and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Unitized Substances.

SECTION 39. STATUTORY UNITIZATION. If and when Working Interest Owners owning at least seventy-five percent (75%) Unit Participation and Royalty Owners owning at least seventy-five percent (75%) Royalty Interest have become parties to this Agreement or have approved this Agreement in writing and such Working Interest Owners have also become parties to the Unit Operating Agreement, Unit Operator may make application to the Division for statutory unitization of the uncommitted interests pursuant to the Statutory Unitization Act (Chapter 65, Article 14, N.M.S. 1953 Annotated). If such application is made and statutory unitization is approved by the Division, then effective as of the date of the Division's order approving statutory unitization, this Agreement and/or the Unit Operating Agreement shall automatically be revised and/or amended in accordance with the following:

(1) Section 14 of this Agreement shall be revised by substituting for the entire said Section the following:

"SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date hereof, all Tracts within the Unit Area shall be entitled to participation in the production of Unitized Substances."

(2) Section 24 of this Agreement shall be revised by substituting for the first three paragraphs of said Section the following:

"SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become effective on the first day of the calendar month next following the effective date of the Division's order approving statutory unitization upon the terms and conditions of this Agreement, as amended (if any amendment is necessary) to conform to the Division's order; approval of this Agreement, as so amended, by the A.O. and the filing by Unit Operator of this Agreement or notice thereof for record in the office of the County Clerk of Lea County, New Mexico. Unit Operator shall not file this Agreement or notice thereof for record, and hence this Agreement shall not become effective, unless within ninety (90) days after the date all other prerequisites for effectiveness of this Agreement have been satisfied, such filing is approved by Working Interest Owners owning a combined Unit Participation of at least sixty-five percent (65%) as to all Tracts within the Unit Area.

"Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for record in the office of the County Clerk of Lea County, New Mexico, a certificate to the effect that this Agreement has become effective in accordance with its terms, therein identifying

the Division's order approving statutory unitization and stating the Effective Date."

(3) This Agreement and/or the Unit Operating Agreement shall be amended in any and all respects necessary to conform to the Division's order approving statutory unitization.

Any and all amendments of this Agreement and/or the Unit Operating Agreement that are necessary to conform said agreements to the Division's order approving statutory unitization shall be deemed to be hereby approved in writing by the parties hereto without any necessity for further approval by said parties, except as follows:

(a) If any amendment of this Agreement has the effect of reducing any Royalty Owner's participation in the production of Unitized Substances, such Royalty Owner shall not be deemed to have hereby approved the amended agreement without the necessity of further approval in writing by said Royalty Owner; and

(b) If any amendment of this Agreement and/or the Unit Operating Agreement has the effect of reducing any Working Interest Owner's participation in the production of Unitized Substances or increasing such Working Interest Owner's share of Unit Expense, such Working Interest Owner shall not be deemed to have hereby approved the amended agreements without the necessity of further approval in writing by said Working Interest Owner.

IN WITNESS WHEREOF, the undersigned have executed this agreement on the dates evidenced by their respective certificates of acknowledgement hereof.

UNIT OPERATOR AND WORKING INTEREST OWNER  
OXY USA Inc.

By: \_\_\_\_\_

STATE OF

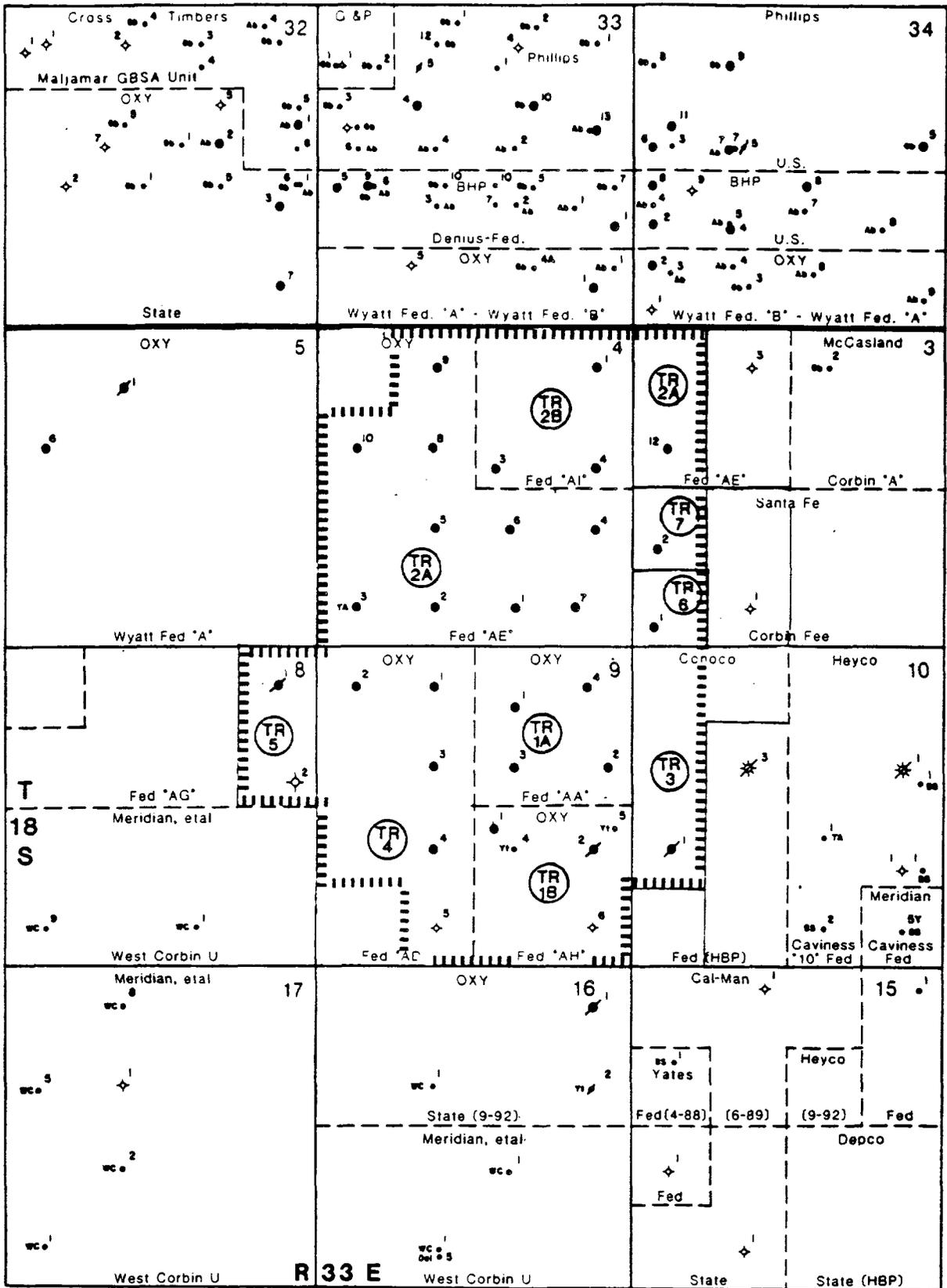
COUNTY OF

This instrument was acknowledged before me on \_\_\_\_\_, by \_\_\_\_\_, Attorney-in-Fact of OXY USA Inc., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said County  
and State



○ OTHER ZONES

Yates  
 Grayberg  
 Delaware  
 Abe  
 Bone Spring  
 Wolfcamp

**CENTRAL CORBIN (QUEEN) FIELD**  
 LEA COUNTY, NEW MEXICO

**PROPOSED UNIT**



**MARCH, 1980**



EXHIBIT "B-1"  
 CENTRAL CORBIN QUEEN UNIT  
 LEA COUNTY, NEW MEXICO

ACT NO.	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS
b	T-185, R-33E, W/4 Sec. 9: SE/4	160	LC-029489(A)	United States Bureau of Land Management 12.5%*	OXY USA Inc. 100%	Selma E. Andrews Trust Braille Institute of America Inc., c/o Republic National Bank of Dallas Harriett Justice Cochran Daisy I. Corbin Higgins Trust Inc. James Virgil Linam Trust Allene D. Rowan Sabine Royalty Trust H. Dillard Schenck Estate Kirby D. Schenck Estate of Floyd E. Sherrell Wilbur L. Sherrell Leo R. Sutton, et ux Joseph K. Wallingford Trust Rufus Wallingford J. S. Ward Marideth Watkins Thelma A. Wekker Martha W. West	OXY USA Inc. 100%
						1.07410X -92590X .12500X 1.50000X .50000X -43750X -87500X .50000X -06250X .06250X .08333X .08333X 5.00000X -25000X -12500X -25000X -08334X -43750X <u>.12500X</u> 12.50000X	
	T-185, R-33E Sec. 3: Lot 4 (40.18), SM/4 NW/4 Sec. 4: Lot 3 (40.40), S/2 NW/4, S/2	520.58	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc. 100.00X
b	T-185, R-33E Sec. 4: Lot 1 (40.27), Lot 2 (40.34), S/2 NE/4	160.61	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc. 100.00X

Royalty is 12.5% on Sliding Scale





EXHIBIT "B-1"  
 CENTRAL CORBIN QUEEN UNIT  
 LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS
1-185, R-33E Sec. 3: NW/4 SW/4		40					
	Pardue Farms Kathleen C. Robbins Stephenie Aldemir Ronald Robbins Earl J. Walters Arne D. O'Byrne Christine Campos Leona Stanger Merland Inc. Carmex Inc. Kugeler Brothers 1st Nat Bk Birmingham Tr.J.M. Phillips, Dec. James M. Winfield John F. Joyce II Melton Winfield Daisy S. Winfield Robert Phillips Handley Nell Arnold Handley Jerry Phillips Winfield Pamela Gage Winfield Penny Leigh Winfield comprising 18.75%			Santa Fe Exp. Co. et al 100%	Larry Schultz Siete Oil & Gas Corp Kerr-McGee Corp William C. Anderson	1.372462%	Santa Fe Exploration Company Dr. Dennis Alsosrom & Linda Ann Anderson Homer Bankhead Phillip R. Bishop James H. Bozarth Frances Buckler Pat Carlisle Binton H. Carr Bart Colwell V. Randolph Delk Dr. Fred Hadley Hamilton III Jack S. Kitchen C. E. LaRue & B. W. Muncy, Jr. Marbob Energy Corp. Dr. Roger Moore Maurice Mordka C. W. & Frieda T. Stumthoffer 28.75% 1.00% 1.00% 3.75% 1.00% 3.75% 3.75% 2.00% 3.75% 2.00% 3.00% 1.00% 3.00% 3.00% 22.50% 15.00% 3.75% 1.00% 3.75% 100.00%
TOTAL ACRES							
	Federal	1481.19	acres				
	Fee	<u>80.00</u>	acres				
	9 Tracts	1561.19	acres				

EXHIBIT "B-2"

SCHEDULE SHOWING TRACT PARTICIPATION  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>TRACT PARTICIPATION PERCENTAGE</u>
1a	16.67814
1b	8.24954
2a	37.75420
2b	10.55516
3	2.50173
4	16.92200
5	.19592
6	1.20982
7	<u>5.93349</u>
TOTAL	100.00000%

Unit Op. Agr.'

**UNIT OPERATING AGREEMENT**

**CENTRAL CORBIN QUEEN UNIT**

**LEA COUNTY, NEW MEXICO**

FORE EXAMINER OF DEEDS  
OF Lea County, New Mexico  
Oxy. 2015 ~~15~~ 15  
1006263.04

UNIT OPERATING AGREEMENT  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

INDEX

ARTICLE		PAGE
1	Confirmation of Unit Agreement	1
2	Exhibits	1
3	Supervision of Operations	2
4	Manner of Exercising Supervision	5
5	Individual Rights of Working Interest Owners	7
6	Unit Operator	8
7	Authority and Duties of Unit Operator	8
8	Taxes	10
9	Insurance	12
10	Adjustment of Investments	12
11	Unit Expense	14
12	Nonunitized Formations	16
13	Liability, Claims, and Suits	17
14	Nondiscrimination	18
15	Notices	18
16	Withdrawal of Working Interest Owner	19
17	Abandonment of Wells	21
18	Effective Date and Term	22
19	Abandonment of Operations	22
20	Approval	23
21	Successors and Assigns	23

**UNIT OPERATING AGREEMENT  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO**

THIS AGREEMENT, entered into as of the 1st day of July, 1990

**W I T N E S S E T H:**

WHEREAS, an agreement entitled "UNIT AGREEMENT, CENTRAL CORBIN QUEEN UNIT, Lea County, New Mexico", herein referred to as "Unit Agreement", has been made which, among other things, provides for a separate agreement to provide for Unit Operations as therein defined.

NOW, THEREFORE, it is provided as follows:

**ARTICLE 1**

**CONFIRMATION 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 Exhibit A, attached hereto, is a plat of the Unit Area.

2.1.2 Exhibit B-1, attached hereto, is a listing of the separate tracts of the Unit Area.

2.1.3 Exhibit B-2, attached hereto, is a listing of the tract participations of each tract in the Unit Area.

2.1.4 Exhibit B-3, attached hereto, is a listing of the Working Interest Owners, their addresses, and their interest in the respective tracts and the Unit Area.

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

2.1.6 Exhibit D, attached hereto, contains insurance provisions applicable to Unit Operations.

2.1.7 Exhibit E, attached hereto, contains provisions applicable in the event any party does not take its share of gas production from the Unit Area.

2.2 Reference to Exhibits. When reference is made herein to an Exhibit, it is to the original exhibit 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. In the exercise of such authority, each Working Interest Owner 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 Authority 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 of 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 Recompletions and Change of Status.** The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

**3.2.4 Unit Operator's Tools and Equipment.** The use by operator of its own tools and equipment in the drilling of a well or in any other operations in which drilling equipment is required.

**3.2.5 Expenditures.** The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00); 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 therefor, and for completing, testing, and

equipping the well, including necessary flow lines, separators, and lease tankage.

**3.2.6 Disposition of Unit Equipment.** The selling or otherwise disposing of any item of surplus Unit Equipment, if the current price of new equipment similar thereto is in excess of Fifty Thousand Dollars (\$50,000.00).

**3.2.7 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.

**3.2.8 Audit Exceptions.** The settlement of unresolved audit exceptions.

**3.2.9 Inventories.** The taking of periodic inventories as provided by Exhibit C.

**3.2.10 Technical Services.** The authorizing of charges to the joint account for services by consultant Operator's technical personnel not covered by the charges provided by Exhibit C.

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

**3.2.12 Successor of Operator.** The selection of a successor Unit Operator upon resignation of the Unit Operator.

3.2.13 Changes and Amendments. The changing of the Unit Area or the amending of this Agreement or the Unit Agreement as provided by Article 11 of the Unit Agreement.

3.2.14 Investment Adjustment. The adjustment and readjustment of investments.

3.2.15 Termination of Unit Agreement. The termination of the Unit Agreement as provided therein.

#### ARTICLE 4

##### MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owners 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 one or more Working Interest Owners having a total Unit Participation of not less than five percent (5%). 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 determine 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.

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 two (2) or more Working Interest Owners having a combined voting interest of at least seventy percent (70%); 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, such motion shall pass if approved by Working Interest Owners having a majority voting interest, unless one (1) or more Working Interest Owners having a combined voting interest of at least twenty percent (20%) 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.

4.3.4 Poll Votes. Working Interest Owners may vote by letter or telegram on any matter submitted in writing to all 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 letter or telegram shall control. Unit Operator shall give prompt notice of the results of such voting to each Working Interest Owner.

## ARTICLE 5

### INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 **Reservation of Rights.** Working Interest Owners retain all their rights, except as otherwise provided in this Agreement or 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.

5.2.3 **Audits.** The right to audit the accounts of Unit Operator pertaining to Unit Operations according to the provisions of Exhibit C.

## ARTICLE 6

### UNIT OPERATOR

6.1 Unit Operator. OXY USA Inc. is designated as the initial Unit Operator.

6.2 Resignation. Unit Operator may resign at any time. Such resignation shall not become effective for a period of three (3) months after the resignation unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period.

6.3 Selection of Successor. Upon the resignation of Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners. If the former Unit Operator fails to vote the successor Unit Operator shall be selected by the affirmative vote of Working Interest Owners having a majority of the voting interest remaining after excluding the voting interest of the former Unit Operator.

## ARTICLE 7

### AUTHORITY 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 a 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 those provided for in Article 11.

**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 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 Fifty Thousand Dollars

(\$50,000.00 ) without prior approval of Working Interest Owners. In the event of an emergency, 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 rates prevailing in the area.

## ARTICLE 8

### TAXES

8.1 Property Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary property 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 property 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 interest, production payment, or other interest in excess of one-eighth (1/8) royalty, such Working Interest Owner 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.

8.3 Income Tax Election. Notwithstanding any provisions herein that the rights and liabilities 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 Person hereby affected elects to be excluded from the application of all 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 authorized and directed to execute on behalf of each Person hereby affected 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 Person hereby affected give further evidence of this election, each such Person shall 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. No such Person shall 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 Person hereby affected shall make such elections as may be permitted or required by such laws. In making the foregoing election, each such Person states that the income derived by such Person from Unit Operations can be adequately determined without the computation of partnership taxable income.

## 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) comply with Employer's Liability and other insurance requirements of the laws of the state, and
- (c) provide insurance or other protection as set forth in Exhibit D.

## ARTICLE 10

### ADJUSTMENT OF INVESTMENTS

10.1 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, within the Unit Area.

10.1.2 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. Working Interest Owners shall at Unit Expense inventory and evaluate the wells and equipment taken over. The inventory of equipment shall be limited to those items considered controllable under Exhibit C 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. The method of evaluating wells and equipment shall be determined by Working Interest Owners.

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 of its interest in all wells and equipment taken over under Section 10.1, and shall be charged with an amount equal to that obtained by multiplying the total value of all wells and equipment taken over under Section 10.1 by such Working Interest Owner's 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 an 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 systems, 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 Property and Facilities.** Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, equal to its Unit Participation in all wells, equipment, and facilities taken over or otherwise acquired by Unit Operator pursuant to this Agreement.

## ARTICLE 11

### UNIT EXPENSE

11.1 **Basis of Charge to Working Interest Owners.** Unit Operator initially shall pay all Unit Expense. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense. Each Working Interest Owner's share shall be the same as its Unit Participation. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit C.

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 thereafter shall prepare budgets as determined by Working Interest Owners.

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 to require Working Interest Owners to advance their respective shares of estimated Unit Expense as provided by Exhibit C.

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 **Unpaid Unit Expense.** If any Working Interest Owner fails or is unable to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, the non-defaulting Working Interest Owners shall, upon request by Unit Operator, pay the unpaid amount as if it were Unit Expense in the proportion that the Unit Participation of each such Working Interest Owner bears to the Unit Participation of all such Working Interest Owners. Each Working Interest so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in Section 11.6 of this Agreement.

11.6 **Security Rights.** In addition to any other security rights and remedies provided for by the laws of this State with respect to services rendered or materials and equipment furnished under this Agreement, Unit Operator shall have a first and prior lien upon each Working Interest, including the Unitized Substances

and Unit Equipment credited thereto, in order to secure payment of the Unit Expense charged against such Working Interest, together with interest thereon at the rate set forth in Exhibit C or the maximum rate allowed by law, whichever is less. If any Working Interest Owner does not pay its share of Unit Expense when due, Unit Operator shall have the right to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed, plus interest at the rate herein provided, has been paid. Each purchaser shall be entitled to rely on Unit Operator's statement concerning the amount owed and the interest payable thereon.

11.7 **Carved-out Interests.** Any overriding royalty, production payment, net proceeds interest, carried interest or any other interest carved out of a Working Interest shall be subject to this Agreement. If a Working Interest Owner does not pay its share of Unit Expense and the proceeds from the sale of Unitized Substances under Section 11.6 are insufficient for that purpose, the security rights provided for therein may be applied against the carved-out interests with which such Working Interest is burdened. In such event, the owner of such carved-out interest shall be subrogated to the security rights granted by Section 11.6.

## ARTICLE 12

### NONUNITIZED 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 Are

other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising the right, however, such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner other than Unit Operator shall produce Unitized Substances. 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

##### LIABILITY, CLAIMS, AND SUITS

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

13.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Ten Thousand Dollars (\$10,000.00) 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 determine the further handling of the claim or suit. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense, subject to such limitation as is set forth in Exhibit C. 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.

13.3 Notice of Loss. Unit Operator shall report to Working Interest Owners as soon as practicable after each occurrence, damage or loss to Unit Equipment, and each accident, occurrence, claim, or suit involving third party bodily injury or property damage not covered by insurance carried for the benefit of Working Interest Owners.

#### ARTICLE 14

##### NONDISCRIMINATION

14.1 Nondiscrimination. During the performance of work under this Agreement, Unit Operator agrees to comply with all the provisions of subsections (1) through (7) of Section 202, Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and as subsequently amended, which are hereby incorporated by reference in this Agreement.

#### ARTICLE 15

##### NOTICES

15.1 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 16

### WITHDRAWAL OF WORKING INTEREST OWNER

16.1 Withdrawal. A Working Interest Owner may withdraw from this agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw 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, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer. The delivery of the transfer shall be made to Unit Operator for the transferees. The transferred interest shall be owned by the transferees in proportion to their respective interests so acquired, shall pay the transferor for its interest in Unit Equipment, the salvage value thereof less its share of the estimated cost of salvaging same and of plugging and abandoning all wells then being used or held for Unit Operations, as determined by Working Interest Owners. In the event such withdrawing owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing owner, as a condition precedent to withdrawal, shall pay the Unit Operator,

for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value, as determined by Working Interest Owners, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after the rendering of such final statement by the Unit Operator, the transfer shall be effective the first day of the month following its receipt by Unit Operator and, as of such effective date, withdrawing owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

16.2 Limitation on Withdrawal. Notwithstanding anything set forth in Section 16.1, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-eighth (1/8) lessor's royalty, unless the other Working Interest Owners willing to accept the assignment agree to accept the Working Interest subject to such burdens.

## ARTICLE 17

### ABANDONMENT OF WELLS

17.1 **Rights of Former Owners.** If Working Interest Owners determine 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 sixty (60) 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, through the wellhead, 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.

17.2 **Plugging.** If the Working Interest Owners of a Tract do not elect to take over a well 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 18

### EFFECTIVE DATE AND TERM

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

18.2 **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 19; (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 19

### ABANDONMENT OF OPERATIONS

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

19.1.1 **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.

19.1.2 **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 value, as determined by Working Interest Owners, of the casing and

equipment, through the wellhead, in and on the wells taken over and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

19.1.3 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.

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

19.1.5 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 20

### APPROVAL

20.1 Original, Counterpart, or Other Instrument. An owner of a Working Interest may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument.

## ARTICLE 21

### SUCCESSORS AND ASSIGNS

21.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the Persons hereto and their respective heirs, devisees, legal representatives,

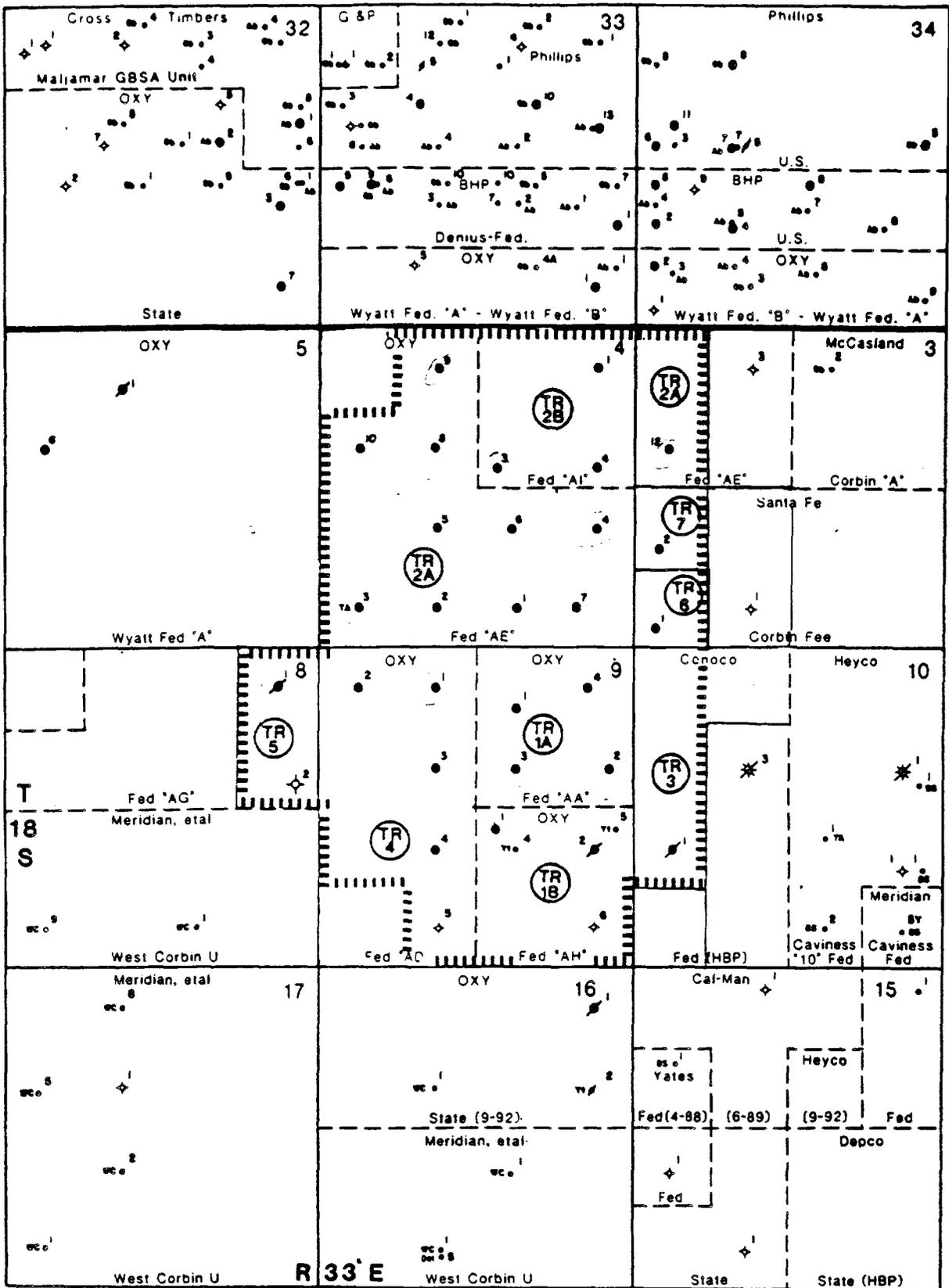
successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

IN WITNESS WHEREOF, this Agreement is approved on the dates opposite the respective signatures.

**WORKING INTEREST OWNERS:**

OXY USA Inc.

By \_\_\_\_\_  
\_\_\_\_\_



● QUEEN PRODUCER

• OTHER ZONES

Yates  
Grayburg  
Delaware  
Alb  
Bone Spring  
Wolfcamp

**CENTRAL CORBIN (QUEEN) FIELD**  
LEA COUNTY, NEW MEXICO

**PROPOSED UNIT**



MARCH, 1990

EXHIBIT "B-1"  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

ACT	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS
2.	T18S, R-33E, NW1/4 Sec. 9; NE/4	160	LC 029489(A)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%		OXY USA Inc. 100.00%
					Selma E. Andrews Trust	1.07410%	
					John W. Boone Trust	.50000%	
					Braille Institute of America Inc., c/o Republic National Bank of Dallas	.92590%	
					Harriett Justice Cochran	.12500%	
					Daisy I. Corbin	1.50000%	
					Homer R. Dentus, et ux	2.50000%	
					Higgins Trust Inc.	.50000%	
					James Virgil Linam Trust	.43750%	
					Allene D. Rowan	.87500%	
					Sabine Royalty Trust	.50000%	
					H. Dillard Schenck Estate	.06250%	
					Kirby D. Schenck Estate of Floyd E. Sherrell	.06250%	
					Wilbur L. Sherrell	.08333%	
					William M. Stengthaler et ux	.08333%	
					Joseph K. Wallingford Trust	.50000%	
					Rufus Wallingford	.25000%	
					J. S. Ward	.12500%	
					Marideth Watkins	.25000%	
					Thelma A. Webber	.08334%	
					Martha W. West	.43750%	
					William J. Wright	.12500%	
						<u>.50000%</u>	
						<u>11.50000%</u>	

Royalty is 12.5% on Sliding Scale

EXHIBIT "B-1"  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS		
T-185, R-33E, MPM Sec. 9: SE/4	160	LC-029489(A)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	Selma E. Andrews Trust Braille Institute of America Inc., c/o Republic National Bank of Dallas Harriett Justice Cochran Daisy I. Corbin Higgins Trust Inc. James Virgil Linam Trust Allene D. Rowan Sabine Royalty Trust H. Dillard Schenck Estate Kirby D. Schenck Estate of Floyd E. Sherrell Wilbur L. Sherrell Leo R. Sutton, et ux Joseph K. Wallingford Trust Rufus Wallingford J. S. Ward Marideth Watkins Thelma A. Webber Martha W. West	1.07410%	OXY USA Inc.	100.00%
T-185, R-33E Sec. 3: Lot 4 (40.18), SW/4 NW/4	520.58	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc.	100.00%	
T-185, R-33E Sec. 4: Lot 3 (40.40), S/2 NW/4, S/2	160.61	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc.	100.00%	
T-185, R-33E Sec. 4: Lot 1 (40.27), Lot 2 (40.34), S/2 NE/4	160.61	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc.	100.00%	

loyalty is 12.5% on Sliding Scale

EXHIBIT "B-1"  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

CT	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS	
	T-18S, R-33E Sec. 10: W/2 NW/4, NW/4 SW/4	120	L029469(C)	United States Bureau of Land Management 12.5%	Conoco, Inc. 100%	Salma E. Andrews Trust Bralle Institute of America Inc., c/o Republic National Bank of Dallas Harriet Justice Cochran Daisy J. Corbin Higgins Trust Inc. James Virgil Linam Trust Allene D. Rowan Sabine Royalty Trust H. Dillard Schenck Estate Kirby D. Schenck Estate of Floyd E. Sherrill Wilbur L. Sherrill Joseph K. Wallingford Trust J. S. Ward Harideth Watkins Thelma A. Webber Martha W. West Texaco Inc. ** **Production Payment	1.07410% Conoco Inc.	100.00%
	T-18S, R-33E Sec. 9: NW/4, N/2 SW/4, SE/4 SW/4	280	NM-55149 HBP	United States Bureau of Land Management 12.5%	OKY USA Inc. 100%	-0-	OKY USA Inc.	100.00%

Royalty is 12.5% on Sliding Scale

EXHIBIT "B-1"  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

ACT	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS
	T-18S, R-33E Sec. 8: E/2 NE/4	80	NM-84731	United States Bureau of Land Management 12.5%	Santa Fe Energy 100%	-0-	Santa Fe Energy H.E. Yates Company 50.00% 50.00% 100.00%
	T-18S, R-33E, Sec. 3: SW/4 SW/4	40	Fee	Floyd Graham 9.375% Doyle M. Sanders 5% Jeanne Cina 5%	Santa Fe Exp. Co. et al 100%	.6503125X	Santa Fe Exploration Company 25.00% Dr. Dennis Alsofrom & Linda Ann Anderson 1.00% Homer Bankhead 1.00% C. W. & Frieda I. Stumthoffer 3.75% James H. Gozarth 1.00% Frances Buckler 3.75% Pat Carlisle 1.00% Binton H. Carr 3.75% Bart Colwell 2.00% V. Randolph Delt 3.00% Dr. Fred Hadley Hamilton III 1.00% Dr. Robert W. King 2.00% Jack S. Kitchen 3.00% Jack S. Kitchen, Jr. 1.00% Jeff Bowman 1.00% C. E. Larue and C. E. Larue .50% B. N. Muncy, Jr. 22.50% Marbob Energy Corp. 15.00% Dr. Roger Moore 3.75% Maurice Mordka 1.00% Richard Olson 1.00% Dale M. Sanders .50% Sipes Properties Inc. 3.00% David Spoeck 3.00% 100.00%

EXHIBIT "B-1"  
 CENTRAL CORBIN QUEEN UNIT  
 LEA COUNTY, NEW MEXICO

ACT OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS
1-185, R-33E Sec. 3: NW/4 SW/4	40					
			Pardee Farms	Santa Fe Exp.	Larry Schultz	Santa Fe Exploration Company
			Kathleen C. Robbins	Co. et al	Siete Oil & Gas Corp	Dr. Dennis Alstrom &
			Stephenie Aldemir	100%	Kerr-McGee Corp	Linda Ann Anderson
			Ronald Robbins		William C. Anderson	Homer Barkhead
			Earl J. Walters			Phillip R. Bishop
			Anne D. O'Byrne			James H. Bozarth
			Christine Campos			Frances Buckler
			Leona Stanger			Pat Carlisle
			Merland Inc.			Barton H. Carr
			Carmex Inc.			Bart Colwell
			Kugeler Brothers			V. Randolph Deik
			1st Nat Bk Birmingham			Dr. Fred Hadley Hamilton III
			Tr. J.M. Phillips, Dec.			Jack S. Kitchen
			James M. Winfield			C. E. LaRue &
			John F. Joyce II			B. W. Nancy, Jr.
			Melton Winfield			Marbob Energy Corp.
			Daisy S. Winfield			Dr. Roger Moore
			Robert Phillips Handley			Maurice Mordka
			Nell Arnold Handley			C. W. & Frieda T. Stunthoffer
			Jerry Phillips Winfield			
			Pamela Gage Winfield			
			Perry Leigh Winfield			
			comprising 18.75%			
						28.75%
						1.00%
						1.00%
						3.75%
						1.00%
						3.75%
						2.00%
						3.75%
						2.00%
						3.00%
						1.00%
						3.00%
						22.50%
						15.00%
						3.75%
						1.00%
						3.75%
						100.00%

TOTAL ACRES

Federal 1481.19 acres  
 Fee 80.00 acres

9 Tracts 1561.19 acres

EXHIBIT "B-2"

SCHEDULE SHOWING TRACT PARTICIPATION  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

<u>TRACT NO.</u>	<u>TRACT PARTICIPATION PERCENTAGE</u>
1a	16.67814
1b	8.24954
2a	37.75420
2b	10.55516
3	2.50173
4	16.92200
5	.19592
6	1.20982
7	<u>5.93349</u>
TOTAL	100.00000%

EXHIBIT B-3  
 SCHEDULE SHOWING WORKING INTEREST OWNERSHIP  
 CENTRAL CORBIN QUEEN UNIT  
 LEA COUNTY, NEW MEXICO

	<u>Tract</u>	<u>Tract Ownership</u>	<u>Unit Percentage</u>
OXY USA INC. P. O. Box 50250 Midland, TX 79710	1a	100.0%	16.67814
	1b	100.0%	8.24954
	2a	100.0%	37.75420
	2b	100.0%	10.55516
	4a	100.0%	<u>16.92200</u>
			90.15904
Conoco, Inc. 726 E. Michigan Hobbs, New Mexico 88240	3	100.0%	2.50173
Santa Fe Energy Operating Partners, L.P. 500 West Illinois, Suite 500 Midland, Texas 79701	5	50.0%	.09796
H. E. Yates Company P. O. Box 1933 Roswell, New Mexico 88202	5	50.0%	.09796
Santa Fe Exploration Company P.O. Box 1136 Roswell, New Mexico 88202	6	25.0%	.30245
	7	28.75%	<u>1.70588</u>
			2.00833
Dr. Dennis Alsofrom & Linda Ann Anderson 809 W. Alameda Roswell, NM 88201	6	1.0%	.01210
	7	1.0%	<u>.05933</u>
			.07143
Homer Bankhead c/o Development Dept. Castle Memorial Hospital 640 Ulukahiki Street Kailua, Hawaii 96734	6	1.0%	.01210
	7	1.0%	<u>.05933</u>
			.07143
Phillip R. Bishop 1800 Interfirst Bldg. Fort Worth, TX 76102	7	3.75%	.22251
Jeff Bowman Box 569 Giddings, TX 78942	6	.5%	.00605
James H. Bozarth Box 2382 Roswell, NM 88202	6	1.0%	.01210
	7	1.0%	<u>.05933</u>
			.07143

Exhibit B-3  
 Central Corbin Queen Unit  
 Page 2

Frances Buckler	6	3.75%	.04537
104 Hazelwood Drive	7	3.75%	<u>.22251</u>
Fort Worth, TX 76107.			.26788
Pat Carlisle	6	1.0%	.01210
Box 83-0654	7	2.0%	<u>.11867</u>
Richardson, TX 75083			.13077
Binion H. Carr	6	3.75%	.04537
Box 877	7	3.75%	<u>.22251</u>
Wichita Falls, TX 76307			.26788
Bart Colwell	6	2.0%	.02420
3024 Park North Dr.	7	2.0%	<u>.11867</u>
El Paso, TX 79904			.14287
V. Randolph Delk	6	3.0%	.03629
1620 Texas Commerce Bank Bldg.	7	3.0%	<u>.17800</u>
201 East Main Drive			.21429
El Paso, Texas 79901			
Dr. Fred Hadley Hamilton III	6	1.0%	.01210
809 W. Alameda	7	1.0%	<u>.05933</u>
Roswell, NM 88201			.07143
Dr. Robert W. King	6	1.0%	.02420
912 NW 39th Street			
Oklahoma City, OK 73118			
Jack S. Kitchen	6	3.0%	.03629
1800 N. Stanton #1007	7	3.0%	<u>.17800</u>
El Paso, TX 79902			.21429
Jack S. Kitchen, Jr.	6	1.0%	.01210
1720 Milburn Drive			
Pleasant Hill, CA 94523			
C. E. LaRue and B. N. Muncy, Jr.	6	22.5%	.27220
Box 470	7	22.5%	<u>1.33505</u>
Artesia, NM 88210			1.60725
Marbob Energy Corp.	6	15.0%	.18147
Box 304	7	15.0%	<u>.89002</u>
Artesia, NM 88210			1.07149
Dr. Roger Moore	6	3.75%	.04537
8504 Fairway Drive	7	3.75%	<u>.22251</u>
Fort Worth, TX 76179			.26788

Exhibit B-3  
Central Corbin Queen Unit  
Page 3

Maurice Mordka	6	3.75%	.01210
1800 N. Grady	7	3.75%	<u>.05933</u>
Tucson, AR 85715			.07143
Richard Olson	6	.5%	.00605
Box 10			
Roswell, NM 88201			
Dale M. Sanders	6	1.0%	.01210
Box 83			
Law Cruces, NM 88004			
Sipes Properties Inc.	6	3.0%	.03629
Box 10849			
Midland, TX 79702			
David Spoede	6	.5%	.00605
Box 1276			
Albuquerque, NM 87103			
C. W. & Frieda T. Stumhoffer	6	3.75%	.04537
Ridglea Bank Bldg. #1007	7	3.75%	<u>.22251</u>
Fort Worth, TX 76116			.26788

EXHIBIT

" C "

Attached to and made a part of UNIT OPERATING AGREEMENT  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

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.

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

A. 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 within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. 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 prime rate in effect at Bank of America in San Francisco on the first day of the month in which delinquency occurs plus 1% 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. 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 a joint audit 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. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

**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. Ecological and Environmental**

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

**2. Rentals and Royalties**

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

**3. 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 and wages of Supervisors directly employed on the Joint Property if such charges are excluded from the overhead rates.~~
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of 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 3A of this Section II. Such costs under this Paragraph 3B 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 3A 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 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. (Personal Expenses of First Level Supervisors included in Section III Overhead.)

**4. 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 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

**5. 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.

**6. 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 where like material is normally available or railway receiving point nearest the Joint Property 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 where like material is normally available, or railway receiving point nearest the Joint Property 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, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

**7. Services**

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, 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.

**8. 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 gross investment less accumulated depreciation not to exceed eight percent (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 8A 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.

**9. 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.

**10. Legal Expense**

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements 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.

**11. 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. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

**12. 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 Worker'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~~ manual rates.

**13. Abandonment and Reclamation**

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

**14. Communications**

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

**15. 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 of direct benefit to the Joint Property and 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 3A, 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 be covered by the overhead rates, or  
 (X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(X) shall be covered by the overhead rates, or  
 ( ) shall not 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 \$ ~~2,350.00~~ \_\_\_\_\_  
 (Prorated for less than a full month)

Producing Well Rate \$ ~~225.00~~ \_\_\_\_\_

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

##### (a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work 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 or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar 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 shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (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 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 10 of Section II and all salvage credits.

## (b) Operating

\_\_\_\_\_ Percent ( \_\_\_\_\_ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 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, re-drilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; 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 first \$100,000 or total cost if less, plus
- B. 3 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2 % of 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 and artificial lift equipment shall be excluded.

## 3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 5 % of total costs through \$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.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

## 4. 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 reasons, 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 basis exclusive of cash discounts:

## A. New Material (Condition A)

### (1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2 $\frac{1}{2}$  inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2 $\frac{3}{8}$  inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

### (2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls  $\frac{3}{4}$  inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
  - (b) Line pipe movements (except size 24 inch OD and larger with walls  $\frac{3}{4}$  inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
  - (c) Line pipe 24 inch OD and over and  $\frac{3}{4}$  inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
  - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material 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, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
  - (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

## 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

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

### (2) Material used on and moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, 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 A, if Material was originally charged to the Joint Account as used Material.

### (3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

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

## C. Other Used Material

### (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 A. 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**

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

**(3) Condition E**

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by 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 or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (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**

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to 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, change of interest, or change of Operator 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. In cases involving a change of Operator, all Parties shall be governed by such inventory.

**4. Expense of Conducting Inventories**

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

6/25/81 (1977)

UNIT OPERATING AGREEMENT  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

EXHIBIT "D"

INSURANCE

The Operator shall provide for Workmen's Compensation coverage in accordance with the law of the State where operations are being conducted. No other insurance shall be provided by the Operator for the benefit of the parties hereto.

EXHIBIT "E"  
UNIT OPERATING AGREEMENT  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

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In accordance with the terms of the Operating Agreement to which this Agreement is attached (Operating Agreement), each Party shall take in kind and separately dispose of its Working Interest Share of the Oil and Gas produced from the covered properties. In the event any Party fails, or is unable to take and market its Working Interest Share of the Gas as it is produced, the terms of this Agreement shall automatically become effective.

1. For purposes of this Agreement the following terms shall have the meanings indicated:

(a) "Contract Area" shall have the meaning given in the Operating Agreement to which this Agreement is attached.

(b) "Source of Supply" means that the well is completed and producing natural Gas from more than one (1) formation through separate production strings, each formation shall be considered a separate source of supply. If more than one (1) category of Gas is being produced from a single well, then each category of Gas within the well shall be considered a separate source of supply. For purposes of this Agreement, category means categories established by law, regulation or governmental order for the purpose of regulating or deregulating the maximum lawful price of Gas, including but not limited to those pricing categories established by the Natural Gas Policy Act of 1978 and the regulations or orders of the Federal Energy Regulatory Commission.

(c) "Gas" means all casinghead gas and natural gas produced from or attributable to each Source of Supply in the Contract Area during the term of this Agreement, but does not include liquid hydrocarbons recovered by primary separation equipment prior to processing in a Gas plant.

(d) A Party's "Working Interest Share" means the proportionate share of production that is attributable to such Party's interest in each Source of Supply in the Contract Area under the terms of the Operating Agreement.

(e) "Balance" is the condition existing with respect to a Party when the cumulative volumes of Gas sold or used by such Party, expressed as a percentage of the cumulative volume of all Gas sold or used, equals such Party's Working Interest Share.

(f) "Maximum Rate" of production means the daily maximum efficient rate at which Gas can be produced from each Source of Supply in the Contract Area which, if exceeded for a sustained period of time, (i) would exceed the legal rate of production, if any, established by governmental rules, orders or regulations, (ii) would cause unnecessary damage to the well or equipment, or (iii) would lead to underground waste in the form of reduced ultimate recovery of production from the reservoir.

(g) A Party is an "underproduced Party" when the cumulative volume of Gas sold or used by such Party, expressed as a percentage of the cumulative volume of all Gas sold or used, is less than such Party's Working Interest Share.

(h) A Party is an "overproduced Party" when the cumulative volumes of Gas sold or used by such Party, expressed as a percentage of the cumulative volume of all Gas sold or used, is greater than such Party's Working Interest Share.

(i) "Makeup Gas" means current Gas production in excess of an underproduced Party's Working Interest Share, being sold or utilized by that underproduced Party in an effort to bring such underproduced Party back into Balance.

2. Each Party shall use its best efforts to take and market its Working Interest Share of Gas as it is produced from the Contract Area.

(a) During any period when Gas is being produced at the Maximum Rate of production, the rights of the Parties shall be as follows:

(i) Subject to the right of an underproduced Party to make up its underproduction as provided herein, each Party shall be entitled to take and sell or utilize its full Working Interest Share of Gas being produced.

(ii) If any Party fails to sell or utilize its full Working Interest Share of Gas (an underproducing Party), the Gas not sold or utilized by such underproducing Party shall be available to the other Parties desiring to sell or use such Gas, in proportion to their respective Working Interest Shares.

(iii) Any underproducing Party who desires to resume taking its full Working Interest Share of Gas being produced may begin to do so immediately upon giving verbal notice, confirmed in writing, to the Operator.

(iv) Any underproduced Party otherwise entitled under Paragraph 5. to take Makeup Gas may commence to do so after giving at least thirty (30) days' prior written notice to the Operator (who shall immediately notify all overproduced Parties). Such Makeup Gas shall be made available from the Working Interest Share of the overproduced Parties. In the event there is more than one (1) underproduced Party desiring to take Makeup Gas, each such Party shall be entitled to take proportionately in accordance with its Working Interest Share until such Party is in Balance. In the event there is more than one (1) overproduced Party, each such Party shall be obligated to furnish a proportionate share of the Makeup Gas in accordance with its Working Interest Share; provided, however, that an overproduced Party shall not be required, during any calendar month, to furnish as Makeup Gas, more than fifty percent (50%) of such overproduced Party's Working Interest Share of the Gas produced for such month.

(b) During any period when Gas is being produced at a rate less than the Maximum Rate of production, the rights of the Parties shall be as follows:

(i) Each Party shall be entitled to take and sell or utilize its full Working Interest Share of Gas being produced.

(ii) Any underproduced Party otherwise entitled under Paragraph 5. to take Makeup Gas may require the Operator to increase the rate of Gas production (up to the Maximum Rate) and make the additional Gas produced as a result of such increase, available to the underproduced Party as Makeup Gas.

(iii) Any overproduced Party or any Party in Balance having a market or use for additional volumes of Gas, may require the Operator to increase the rate of Gas production (up to the Maximum Rate) to make such additional Gas available to the requesting Party; provided, however, that the Operator shall give first priority to requests for Makeup Gas.

(iv) If the aggregate monthly volume of Makeup Gas requested under Paragraph 2.(b)(ii) exceeds the volume of Makeup Gas that can be made available thereunder by increasing the rate of Gas production, that portion of the requested Makeup Gas that can be made available by increasing the rate of Gas production shall be shared proportionately among the underproduced Parties in accordance with their respective Working Interest Shares. Such requests, with respect to that portion of the Makeup Gas that cannot be made available by increasing the rate of Gas production, shall be treated as a request for Makeup Gas under Paragraph 2.(a)(iv).

3. (a) All Gas taken and marketed by a Party in accordance with the terms of this Agreement, regardless of whether such Party is underproducing or overproducing, shall be regarded as Gas taken for its own account; with title thereto being in such Party, whether such Gas be attributable to such Party's Working Interest Share, or whether it is being taken as overproduction, or whether it is being taken as Makeup Gas. In no event shall a Party be entitled to sell Gas under the gas sales agreement of another Party without that Party's express written consent.

(b) All Parties shall share in and own the liquid hydrocarbons recovered from the Gas by primary separation equipment prior to processing in a gas plant in accordance with their respective interests as specified in the Operating Agreement, whether or not such Parties are actually producing and marketing the Gas from which such liquids were recovered.

4. The Operator will maintain appropriate accounting records on a monthly and cumulative basis of the quantities of Gas each Party is entitled to receive and the quantities of Gas taken and marketed by each of the Parties. For the sole purpose of implementing the terms of this Agreement and adjusting Gas imbalances which may occur, each Party disposing of Gas shall, upon request of the Operator, furnish or cause to be furnished to the Operator by the last day of each calendar month, a statement showing the total volume of Gas from each Source of Supply sold by such Party or taken in kind for its own account during the preceding calendar month (the "report period"). Within sixty (60) days after the end of each report period, the Operator shall furnish each Party a statement showing the status of the overproduced and underproduced accounts of all Parties.

5. Except as expressly provided otherwise in this Agreement, an underproduced Party shall have the right to be brought into Balance only through the taking of Makeup Gas, in volumes equal to the volumes by which such Party is underproduced.

6. Notwithstanding the foregoing, if Gas production from the Source of Supply ceases for a period of twelve (12) consecutive months and an imbalance exists, an underproduced Party may demand from the overproduced Party or Parties, a monetary settlement of the imbalance. Such settlement shall be paid by the overproduced Party within ninety (90) days after written demand. The amount of the monetary settlement will be based on the lesser of (i) the net proceeds actually received by the overproduced Party or Parties from the sale of the overproduced Gas, allowing the royalties, taxes, transportation, conditioning, processing and other costs paid in connection with the sale of such Gas or (ii) the current market value of Gas of comparable quality (including comparable legal characteristics) and quantity being produced in the area. If the overproduced Party or Parties did not sell the overproduced Gas but otherwise utilized such Gas in its own operations, such Gas will be valued at the lesser of the (x) market value of Gas of comparable quality and quantity being produced in the area at that time as such overproduced Gas was being produced, or (y) the market value of Gas of comparable quality and quantity being produced in the area at the time of the monetary settlement, or (z) the value upon which the overproduced Party or Parties paid royalties on the overproduced Gas. For purposes of implementing the cash settlement provisions of this Paragraph 6., an overproduced Party shall not be considered to have produced the underproduced Parties' share of Gas until the overproduced Party has produced all of its own Working Interest Share of Gas recoverable from the Source of Supply. That portion of the monies collected by an overproduced Party which is subject to refund by orders of the Federal Energy Regulatory Commission (FERC) may be withheld by the overproduced Party until such prices are fully approved by the FERC, unless the underproduced Party furnishes a corporate undertaking agreeing to hold the overproduced Party harmless from financial loss due to refund orders by the FERC. Nothing in this Paragraph 6. shall limit the rights of any Parties to negotiate and implement between them a settlement of any imbalance in any other manner or at any other time.

7. The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all Parties are selling or using Gas or whether the sales and use of each Party are in proportion to their percentage ownership interest as set forth in the Operating Agreement.

8. At all times while Gas is produced from the Contract Area, each Party shall pay or cause to be paid all royalties, severance or production taxes or other obligations burdening its interest in Gas actually produced or sold for its own account. Nothing in this Agreement shall create any obligation on the part of one Party to make payments to another Party's royalty owner and each Party agrees to indemnify and hold the other Parties harmless from any and all claims for royalty payments asserted by its royalty owners, regardless of the theory upon which such claims are based, including but not limited to a claim for royalties based on a Party's Working Interest Share of actual production whether or not that Party is taking its share on a current basis. The Parties acknowledge that each Party is ultimately liable to the Minerals Management Service for payment of royalties on Federal or Indian leases for its Working Interest Share of actual production whether or not that Party is taking its share on a current basis. The term "royalty owner" shall include owners of royalties, overriding royalties, production payments and similar interest. In the event any governmental authority properly prescribes that royalty payments be made on any other basis than that described above, each Party to this Agreement shall make royalty payments accordingly, commencing on the effective date authorized by such governmental authority but the obligation of each party to hold the other parties harmless for royalty claims shall in all cases continue.

9. Nothing herein shall be construed to deny any Party the right, from time to time, to produce and take or deliver to its purchaser the full well stream (not to exceed Maximum Rate of flow) for a reasonable period to meet the deliverability test required by its purchaser.

10. This Agreement shall remain in force and effect as long as the Operating Agreement is in effect and thereafter until the Gas balance accounts between the Parties are settled in full and shall accrue to the benefit and be binding upon the Parties hereto, their successors, representatives and assigns.

Tract	Royalty		ORR		WI		Total Int	
	% Ratified	% Not Ratified	% Ratified	% Not Ratified	% Ratified	% Not Ratified	% Ratified	% Not Ratified
16.67814 1A Unit %	100* 2.08476	-	9.29167 1.54968	2.20833 .36830	100	-	97.79167 16.30984	2.20833 .36830
8.24954 1B Unit %	100* 1.03119	-	10.29167 84901	2.20833 .18218	100	-	97.79167 8.06736	2.20833 .18218
37.75420 2A Unit %	100* 4.71927	-	<i>ON CONTRACTOR'S BOOK</i>	-	100	-	100 37.75420	-
10.55516 2B Unit %	100* 1.31940	-	<i>ON CONTRACTOR'S BOOK</i>	-	100	-	100 10.55516	-
2.50173 3 Unit %	100* .31271	-	10.29167 .25746	2.20833 .05525	-	100 (75 NRI%) 2.50173	22.79167 .57019	77.20833 1.93154
16.92200 4 Unit %	100* 2.11525	-	-	-	100	-	100 16.92200	-
.19592 5 Unit %	100* .02449	-	-	-	100	-	100 .19592	-
1.20982 6 Unit %	9.375 .11342	10 .12098	.650 .00786	2.20833 .05525	37.5 (29.991) .45368	62.5 (49.984) .75614	39.366 .47626	59.984 .72570
5.93349 7 Unit %	2.86977 .17028	15.88023 .94225	1.373 .08147	-	37.5 (29.954) 2.22506	62.5 (49.923) 3.7084	31.633 1.87694	66.994 3.97508
Total Unit %	11.89077	1.06323	2.65615	.60573		6.96627		7.18280
	<u>12.95400</u>		<u>3.35121</u>					
	91.792% of Roy	8.208% of Roy	75.259% of ORR	18.07496% of ORR				

\*Assumes USA will Ratify



EXHIBIT "B-1"  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS	
1b	T-18S, R-33E, NMPM Sec. 9: SE/4	160	LC-029489(A)	United States Bureau of Land Management 12.5%*	OXY USA Inc. 100%	Selma E. Andrews Trust Braille Institute of America Inc. Harriett Justice Cochran Daisy I. Corbin Higgins Trust Inc. James Virgil Linam Trust Allene D. Rowan Sabine Royalty Trust H. Dillard Schenck Estate Kirby D. Schenck Floyd E. Sherrell Estate Wilbur L. Sherrell Leo R. Sutton, et ux Joseph K. Wallingford Trust Rufus Wallingford J. S. Ward Marideth Watkins Thelma A. Webber Martha W. West	1.07410% ✓ .92590% ✓ .12500% ✓ 1.50000% ✓ .50000% ✓ .43750% ✓ .87500% .50000% .06250% .06250% .08333% .08333% ✓ 5.00000% ✓ .25000% ✓ .12500% ✓ .25000% ✓ .08334% ✓ .43750% ✓ .12500% 12.50000%	OXY USA Inc. 100.00%
2a	T-18S, R-33E Sec. 3: Lot 4 (40.18), SW/4 NW/4 Sec. 4: Lot 3 (40.40), S/2 NW/4, S/2	520.58	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc. 100.00%	
2b	T-18S, R-33E Sec. 4: Lot 1 (40.27), Lot 2 (40.34), S/2 NE/4	160.61	LC-029489(B)	United States Bureau of Land Management 12.5%	OXY USA Inc. 100%	-0-	OXY USA Inc. 100.00%	

\* Royalty is 12.5% on Sliding Scale  
✓ Ratified (This is for Tract No. 1b)

Ratified  
12 Owners with  
10.29167% ORR  
(82.33336% of ORR)

Not Ratified  
7 Owners with  
2.20833% ORR  
(17.66664% of ORR)



EXHIBIT "B-1"  
CENTRAL CORBIN QUEEN UNIT  
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	ACRES	SERIAL NO.	BASIC ROYALTY	CURRENT RECORD TITLE	OVERRIDING ROYALTY	WORKING INTEREST OWNERS
5	T-18S, R-33E Sec. 8: E/2 NE/4	80	NM-84731	United States Bureau of Land Management 12.5%	Santa Fe Energy 100%	-0-	Santa Fe Energy 50.00% H.E. Yates Company 40.00% Spiral, Inc. 2.00% Explorers Pet. 2.00% Heyco Employees, Ltd. 2.00% James H. Yates 2.00% Colkelan Corp. <u>2.00%</u> 100.00%
7 FEDERAL TRACTS TOTALING 1481.19 ACRES OR 94.88% OF UNIT AREA							
6	T-18S, R-33E, Sec. 3: SW/4 SW/4	40	Fee	Floyd Graham 9.375% ✓ Dale M. Sanders 5% Jeanne Cina Trust 5%	Santa Fe Exp. Co. et al 100%	.6503125%	Santa Fe Exploration Company 25.00% Dr. Dennis Alsofrom & Linda Ann Anderson 1.00% Homer Bankhead 1.00% C. W. & Frieda T. Stumthoffer 3.75% James H. Bozarth 1.00% Frances Buckler 3.75% Pat Carlisle 1.00% Binion H. Carr 3.75% Bart Colwell 2.00% V. Randolph Delk 3.00% Dr. Fred Hadley Hamilton III 1.00% Dr. Robert W. King 2.00% Jack S. Kitchen 3.00% Jack S. Kitchen, Jr. 1.00% Jeff Bowman .50% C. E. LaRue and B. N. Muncy, Jr. 22.50% ✓ Marbob Energy Corp. 15.00% ✓ Dr. Roger Moore 3.75% Maurice Mordka 1.00% Richard Olson .50% Dale M. Sanders 1.00% Sipes Properties Inc. 3.00% David Spoede <u>.50%</u> 100.00%

Not Ratified  
2 ROY Owners with 10% (51.61291 % of ROY.)  
2 ORR Owners  
20 WI Owners with 62.5%

Ratified  
1 Royalty Owner with 9.375% (48.38709% of RI)  
1 ORR Owner  
2 WI Owners with 37.5%





United States Department of the Interior  
BUREAU OF LAND MANAGEMENT

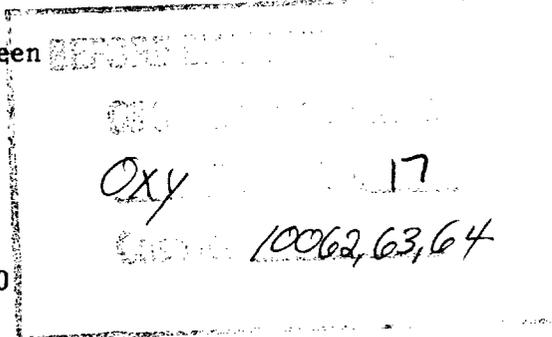
Roswell District Office  
P.O. Box 1397  
Roswell, New Mexico 88202-1397

TAKE  
PRIDE IN  
AMERICA

IN REPLY  
REFER TO:

Central Corbin Queen  
3180 (065)

OXY USA Inc.  
P. O. Box 50250  
Midland, TX 79710



RECEIVED  
JUL 19 1990  
ACCOUNTING

JUL 18 1990

Gentlemen:

Your application of July 10, 1990, filed with the BLM requests the designation of the Central Corbin Queen Unit area, embracing 1561.19 acres, more or less, Lea County, New Mexico, as logically subject to secondary operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked OXY USA Inc., Central Corbin Queen Unit, Lea County, New Mexico, is hereby designated as a logical unit area for the purpose of conducting secondary recovery operations. Waterflooding will be limited to the following interval: The Queen formation, the vertical limits of which extend from an upper limit described as 215 feet below mean sea level or at the top of the Queen formation, whichever is higher, to a lower limit at the base of the Queen formation, as defined by section 2(G) of the Unit Agreement. This designation is valid for a period of one year from the date of this letter.

Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable. Corrections requested by the Bureau of Land Management are shown in red on pages 20 and 30 of the Form of Agreement and on pages 4 and 5 of Exhibit B.

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 for preliminary approval.

In the absence of any type of land requiring special provisions or 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 BLM 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 reprint of the aforementioned form.

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

Sincerely,



*JG* Joe G. Lara  
Assistant District Manager,  
Minerals

2 Enclosures

1 - Exhibit B

2 - Pages to Unit Agreement



OXY USA INC.

Box 50250, Midland, TX 79710

May 10, 1990

Santa Fe Energy Operating Partners, L.P.  
500 W. Illinois, Suite 500  
Midland, Texas 79701  
Attn: Mr. Larry Murphy

Conoco Inc.  
726 East Michigan  
Hobbs, NM 88240  
Attn: Jerry D. Hardin

H. E. Yates Company  
P. O. Box 1933  
Roswell, NM 88202-1933  
Attn: Mrs. Rosemary T. Avery

Santa Fe Exploration Co.  
P. O. Box 1136  
Roswell, NM 88202-1136

Gentlemen:

Enclosed please find a feasibility study and unit agreement for a proposed secondary recovery unit for the Central Corbin Queen field. This work has been performed in-house by OXY USA Inc. and includes changes requested by the Bureau of Land Management.

We are presently preparing a Unit Operating Agreement which we will send you in the near future together with Ratification forms for both the Unit Agreement and Unit Operating Agreement. We request that you review the Unit Agreement enclosed particularly for accuracy of the interests shown in the tracts you are contributing and furnish us any corrections or additions needed to accurately reflect your interest.

The feasibility of flooding the field is based on an analogy to the E-K Queen field located southeast of the Central Corbin Queen field. This field showed a quick response to water injection with a 1 to 1 secondary to primary recovery ratio and had a 7 year life. An economic summary, based on constant dollar economics, is shown in tables 14-16 of the feasibility study. In addition a projected field production schedule is shown in table 12. Operating expenses for the field are projected at 486 M\$/yr.

If there are any questions concerning the feasibility study please contact Archie Taylor (915-685-5677). For questions concerning the unit agreement please contact Charles Dickenson (915-685-5643).

Yours very truly,

OXY USA Inc.

Charles E. Dickenson  
Landman  
CED/sp  
Enclosures

Oxy 18  
10062,6364



OXY USA INC.

Box 50250, Midland, TX 79710

June 11, 1990

CERTIFIED MAIL

Santa Fe Energy Operating Partners, L.P.  
500 W. Illinois, Suite 500  
Midland, Texas 79701  
Attn: Mr. Larry Murphy

H. E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202-1933  
Attn: Mrs. Rosemary T. Avery

Conoco Inc.  
726 East Michigan  
Hobbs, New Mexico 88240

Santa Fe Exploration Company  
P. O. Box 1136  
Roswell, New Mexico 88202-1136

Re: Central Corbin Queen Unit  
Lea County, New Mexico

Gentlemen:

Please refer to our letter of May 10, 1990 proposing unitization of the Central Corbin (Queen) Field. We would appreciate your review of the agreements and your verification of your interests and leasehold information at an early date in order that we may proceed with preparation of revisions to the Exhibits to the Unit Agreement.

We are scheduling a working interest owners meeting on Wednesday, June 20, 1990 at 1:00 p.m. CDT in OXY's offices, Suite 6000 Claydesta National Bank Bldg., Midland, Texas, to discuss the unitization of this field. In the event you are unable to attend the meeting we would appreciate the opportunity to discuss the unitization with you at your convenience. At the meeting we intend to discuss the participation formula proposed to be utilized for this unit and will seek approval of the formula. We request that in the event you are unable to attend the meeting you indicate your approval of the proposed formula in the space provided below and return the same to us prior to the meeting date.

If there are any questions concerning the feasibility study please contact Archie Taylor (915) 685-5826. For questions concerning the unit agreement please contact Charles Dickenson (915) 685-5643.

Central Corbin Queen Unit  
June 11, 1990  
Page 2

Yours very truly,

OXY USA Inc.



Charles E. Dickenson  
Landman

CED/sp

The Participation Formula for the Central Corbin Queen Unit  
submitted May 10, 1990 is:

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_



OXY USA INC.

Box 50250, Midland, TX 79710

June 22, 1990

Santa Fe Energy Operating Partners, L.P.  
500 W. Illinois, Suite 500  
Midland, Texas 79701  
Attn: Mr. Larry Murphy

Conoco Inc.  
726 East Michigan  
Hobbs, NM 88240

H. E. Yates Company  
P. O. Box 1933  
Roswell, NM 88202-1933  
Attn: Mrs. Rosemary T. Avery

Santa Fe Exploration Co.  
P. O. Box 1136  
Roswell, NM 88202-1136

Re: Central Corbin Queen Unit  
Lea County, New Mexico

Gentlemen:

Please refer to our letter of June 11, 1990 proposing a meeting to discuss unitization of the Central Corbin (Queen) Field. While representatives of OXY attended the meeting none of the other owners were represented. A copy of the agenda is enclosed for your information. The plan for securing approvals was discussed in detail and it was concluded that the Unit Agreement and Unit Operating Agreement should be prepared in final form and furnished to the Working Interest Owners and the Royalty Owners for ratification as soon as practicable.

OXY plans to proceed with efforts toward unitization of this field and will plan to furnish all of the Working Interest Owners copies of the Unit Agreement and Unit Operating Agreement together with a request for ratification thereof in the very near future. As soon as this is furnished OXY plans to immediately furnish a copy of the Unit Agreement to the Royalty Owners and request their ratification of the agreement.

Yours very truly,

OXY USA Inc.

Charles E. Dickenson  
Landman

CED/sp  
Enclosures

cc: Working Interest Owners  
Central Corbin Queen Unit  
Address List Attached

ADDRESS LIST  
CENTRAL CORBIN QUEEN UNIT  
WORKING INTEREST OWNERS

Linda Ann Anderson  
Dr. Dennis Alsofrom  
809 W. Alameda  
Roswell, NM 88201

Homer Bankhead  
s/o Development Dept.  
Castle Memorial Hospital  
640 Ulukahiki Street  
Kailua, Hawaii 96734

Phillip R. Bishop  
1800 Interfirst Bank Bldg.  
Fort Worth, TX 76102

Jeff Bowman  
P. O. Box 569  
Giddings, TX 78942

James H. Bozarth  
P. O. Box 2382  
Roswell, NM 88202

Frances Buckler  
104 Hazelwood Drive  
Forth Worth, TX 76107

Pat Carlisle  
P. O. Box 83-0654  
Richardson, TX 75083

Binion H. Carr  
Box 877  
Wichita Fall, TX 76307

Bart Colwell  
3024 Park North Dr.  
El Paso, TX 79904

V. Randolph Delk  
1620 Texas Commerce Bank Bldg.  
701 East Main Drive  
El Paso, TX 79901

Dr. Robert W. King  
912 NW 39 th Street  
Oklahoma City, OK 73118

Jack S. Kitchen  
1800 N. Stanton # 1007  
El Paso, TX 79902

Jack S. Kitchen, Jr.  
1720 Milburn Drive  
Pleasant Hill, CA 94523

C. E. LaRue  
Box 470  
Artesia, NM 88210

B. N. Muncy, Jr.  
Box 470  
Artesia, NM 88210

Marbob Energy Corp.  
Box 304  
Artesia, NM 88210

Dr. Roger Moore  
8504 Fairway Drive  
Forth Worth, TX 76179

Maurice Mordka  
1800 N. Grady  
Tucson, AR 85715

Richard Olson  
P. O. Box 10  
Roswell, NM 88201

Dale M. Sanders  
Box 83  
Las Cruces, NM 88004

Sipes Properties Inc.  
Box 10849  
Midland, TX 79702

David Spuede  
Box 1276  
Albuquerque, NM 87103

C. W. Stumhoffer  
Frieda T. Stumhoffer  
Ridglea Bank Bldg. # 1007  
Fort Worth, TX 76116

ADDRESS LIST  
CENTRAL CORBIN QUEEN UNIT  
PAGE 2

Santa Fe Exploration Co.  
Box 1136  
Roswell, NM 88202

Conoco Inc.  
726 E. Michigan  
Hobbs, NM 88240

H. E. Yates Company  
P. O. Box 1933  
Roswell, NM 88202

Santa Fe Energy Operating  
Partners, L.P.  
500 West Illinois, Suite 500  
Midland, TX 79701

OXY USA Inc.  
Box 50250  
Midland, TX 79710

CENTRAL CORBIN QUEEN UNIT  
WORKING INTEREST OWNERS MEETING  
JUNE 20, 1990, 1:00 P.M.  
SUITE 6000, CLAYDESTA NATIONAL BANK BUILDING  
MIDLAND, TEXAS

Opening Remarks

- I. Feasibility Study
  - (a) Remaining Primary
  - (b) Waterflood Recovery
  
- II. Participation Formula
  - (a) Approval of Proposed Formula
  - (b) Additional Formulas
  
- III. Unit Agreement
  - (a) BLM Form
  - (b) Unit Outline
  - (c) Verification of Ownership
  
- IV. Unit Operating Agreement
  - (a) API Standard Form
  
- V. Plan for Securing Approvals
  - (a) Federal Approvals
  - (b) State Approvals
  - (c) Working Interest Owner Approvals
  - (d) Royalty Owner Approvals

Closing Remarks



OXY USA INC.

Box 50250, Midland, TX 79710

June 26, 1990

WORKING INTEREST OWNERS  
ADDRESS LIST ATTACHED

Re: Central Corbin Queen Unit  
Lea County, New Mexico  
Township 18 South, Range 33 East

Gentlemen:

Please find enclosed for your review a copy of the Unit Operating Agreement for the captioned unit. Also enclosed are seven (7) copies of a Consent and Ratification of these Agreements.

We would appreciate your review of these agreements and your joinder to the same. Please return to us six (6) executed and acknowledged copies of the Consent and Ratification at your earliest convenience. If you have any questions concerning the agreements or the proposed unitization of this field please contact Charles Dickenson at (915) 685-5643.

Yours very truly,

OXY USA Inc.

A handwritten signature in cursive script, appearing to read 'Charles E. Dickenson'.

Charles E. Dickenson  
Landman

CED/sp

Enclosures

ADDRESS LIST  
CENTRAL CORBIN QUEEN UNIT  
WORKING INTEREST OWNERS

Linda Ann Anderson  
Dr. Dennis Alsofrom  
809 W. Alameda  
Roswell, NM 88201

Homer Bankhead  
c/o Development Dept.  
Castle Memorial Hospital  
640 Ulukahiki Street  
Kailua, Hawaii 96734

Phillip R. Bishop  
1800 Interfirst Bank Bldg.  
Fort Worth, TX 76102

Jeff Bowman  
P. O. Box 569  
Giddings, TX 78942

James H. Bozarth  
P. O. Box 2382  
Roswell, NM 88202

Frances Buckler  
104 Hazelwood Drive  
Forth Worth, TX 76107

Pat Carlisle  
P. O. Box 83-0654  
Richardson, TX 75083

Binion H. Carr  
Box 877  
Wichita Falls, TX 76307

Bart Colwell  
3024 Park North Dr.  
El Paso, TX 79904

V. Randolph Delk  
1620 Texas Commerce Bank Bldg.  
701 East Main Drive  
El Paso, TX 79901

Dr. Robert W. King  
912 NW 39 th Street  
Oklahoma City, OK 73118

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Artesia, NM 88210

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8504 Fairway Drive  
Forth Worth, TX 76179

Maurice Mordka  
1800 N. Grady  
Tucson, AR 85715

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P. O. Box 10  
Roswell, NM 88201

Dale M. Sanders  
Box 83  
Las Cruces, NM 88004

Sipes Properties Inc.  
Box 10849  
Midland, TX 79702

David Spoede  
Box 1276  
Albuquerque, NM 87103

C. W. Stumhoffer  
Frieda T. Stumhoffer  
Ridglea Bank Bldg. # 1007  
Fort Worth, TX 76116

ADDRESS LIST  
CENTRAL CORBIN QUEEN UNIT  
PAGE 2

Dr. Fred Hadley Hamilton III  
809 W. Alameda  
Roswell, NM 88201

Santa Fe Exploration Co.  
Box 1136  
Roswell, NM 88202

Conoco Inc.  
726 E. Michigan  
Hobbs, NM 88240

H. E. Yates Company  
P. O. Box 1933  
Roswell, NM 88202

Santa Fe Energy Operating  
Partners, L.P.  
500 West Illinois, Suite 500  
Midland, TX 79701

OXY USA Inc.  
Box 50250  
Midland, TX 79710



OXY USA INC.

Box 50250, Midland, TX 79710

June 26, 1990

ADDRESS LIST ATTACHED

Re: Central Corbin Queen Unit  
Lea County, New Mexico  
Township 18 South, Range 33 East

Gentlemen:

Our records indicate that you are the owner of a royalty interest in Tract 7 (being the NW/4 SW/4 of Section 3) of the proposed unit.

OXY USA Inc. has proposed the unitization of the Central Corbin Queen Field in order to conduct secondary recovery operations. OXY plans to inject water into the Queen formation in an effort to recover additional quantities of oil from this field. The water flooding of this field should prove to be beneficial to the owners. OXY is attempting to secure the approval of all owners to this unitization and this request does not imply that your lessee (the owner or owners of the leasehold rights in your tract) has approved or even is in favor of this proposal.

Enclosed is a copy of the Unit Agreement covering the Queen formation in this field. Also enclosed are seven (7) copies of a Consent and Ratification to this Agreement. We would appreciate your review of this agreement and joinder to the same. Please return six (6) executed and acknowledged copies of the Consent and Ratification at your earliest convenience. Should you have any questions concerning this proposal please contact Charles Dickenson at (915) 685-5643.

Yours very truly,

OXY USA Inc.

Charles E. Dickenson  
Landman

CED/sp

Enclosures

ADDRESS LIST  
CENTRAL CORBIN QUEEN UNIT  
ROYALTY INTEREST OWNERS

Pardue Farms  
P. O. Box 2018  
Carlsbad, NM 88220  
Attn: Bruce D. Pardue

Kathleen C. Robbins  
11172 Harcourt Avenue  
Garden Grove, CA 92641

Stephenie Aldemir  
134 Seneca  
Anaheim, CA 92805

Ronald Robbins  
568 Sparks Road  
Sebastopol, CA 95472

Earl J. Walters  
1209 West Ural  
Carlsbad, NM 88220

Patricia Lynn Womack  
Anne D. O'Byrne  
Penny Leigh Winfield  
Daisy S. Winfield  
Pamela Gage Winfield  
c/o James M. Winfield  
512 South 71st Street  
Birmingham, Alabama 35206

Christine Campos  
32772 Jonathon Circle  
Dana Point, CA 92629

Leona Stanger  
C/o Bruce D. Pardue  
P. O. Box 2018  
Carlsbad, NM 88220

Merland Inc.  
P. O. Box 548  
Carlsbad, NM 88220  
Attn: Mary Frances Merchant

Carmex, Inc.  
P. O. Box 1718  
Carlsbad, NM 88220  
Attn: John M. Caraway

Kugeler Brothers  
4100 South Bellaire  
Englewood, CO 80110  
Attn: Herman Coors Kugeler

J. M. Phillips Trust  
c/o First National Bank, Trustee  
P. O. Box 11426  
Birmingham, Alabama 35202

James M. Winfield 512 South  
71st Street  
Birmingham, AL 35206

John F. Joyce, II  
P. O. Box 356  
Carlsbad, NM 88220

Melton Winfield  
2919 19th Street  
Birmingham, AL 35209

Robert Phillips Handley  
P. O. Box 446  
Arlee, MT 59821

Nell Arnold Handley  
Route 6, Box 87  
Hamilton, AL 35570

Jerry Phillips Winfield  
c/o Dept. Modern Languages  
Mercer University  
Macon, AL 35206



OXY USA INC.

Box 50250, Midland, TX 79710

June 26, 1990

SEE ADDRESS LIST ATTACHED

Re: Central Corbin Queen Unit  
Lea County, New Mexico  
Township 18 South, Range 33 East

Gentlemen:

Our records indicate that you are the owner of an overriding royalty interest in Tracts 1a, 1b, and 3 of the proposed unit. OXY USA Inc. has proposed the unitization of the Central Corbin Queen Field in order to conduct secondary recovery operations. OXY plans to inject water into the Queen formation in an effort to recover additional quantities of oil from this field. The water flooding of this field should prove to be beneficial to the owners. OXY is attempting to secure the approval of all owners to this unitization.

Enclosed is a copy of the Unit Agreement covering the Queen formation in this field. Also enclosed are seven (7) copies of a Consent and Ratification to this Agreement. We would appreciate your review of this agreement and joinder to the same. Please return six (6) executed and acknowledged copies of the Consent and Ratification at your earliest convenience. Should you have any questions concerning this proposal please contact Charles Dickenson at (915) 685-5643.

Yours very truly,

OXY USA Inc.

Charles E. Dickenson  
Landman

CED/sp

Enclosures