

State of New Mexico



COMMISSIONER



Commissioner of Public Lands

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

September 24, 1990

Sage Energy Company 10101 Reunion Place, Suite 800 San Antonio, TX 78216-4158

Preliminary Unit Review

Attn: Mr. Lee Patrick, Division Landman

Re: Proposed North Vacuum (Abo) North Unit
Lea County, New Mexico

Dear Mr. Patrick,

This office has received and reviewed the unexecuted copy of the unit agreement submitted for the proposed North Vacuum (Abo) North Unit, Lea County. New Mexico. This agreement meets the general requirements of form and content as prescribed by the Commissioner of Public Lands who on this date grants you preliminary approval of the said unit.

Preliminary approval shall not be construed to mean final approval of the agreement in any way and will not extend any short term leases until final approval and an effective date have been given.

When submitting your agreement for final approval, please include the following items.

- 1. Application for final approval by the Commissioner setting forth the tracts that have been committed and those that are not committed,
- 2. All ratifications from the lessees of records and Working Interest Owners. All signatures should be acknowledged by a Notary Public and one set must contain original signatures.
- 3. Order of the New Mexico Oil Conservation Division.
 Our approval will be contingent upon subsequent
 favorable approval by the New Mexico Oil Conservation
 Division.
- 4. An original and one (1) copy of both the Unit Agreement and the Unit Operating Agreement for our files. Again, the original set must contain original signatures.

5. Please remit a filing fee in the amount of one hundred fifty dollars (\$150.00). This filing fee is assessed at the rate of thirty dollars (\$30.00) per section or partial section * included in the Unit boundaries (* this Unit has 5).

If we may be of further help please do not hesitate to call Clyde Langdale at (505) 827-5791

Sincerely,

W. R. HUMPHRIES COMMISSIONER OF PUBLIC LANDS

Dople Man

BY: Floyd O. Prando, Director Oil, Gas & Minerals Division

cc: Bruce Stockton

WRH/FOP/CL/dm

UNIT AGREEMENT

NORTH VACUUM (ABO) NORTH UNIT

LEA COUNTY, NEW MEXICO

BEFORE EXAMINER

OIL CONSERVATION DIVISION

- /

CASE NO. 10,1021 10,103

UNIT AGREEMENT

NORTH VACUUM (ABO) NORTH UNIT

LEA COUNTY, NEW MEXICO

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UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

NORTH VACUUM (ABO) NORTH UNIT

LEA COUNTY, NEW MEXICO

	THIS	AGREEMENT,	entered	into as	of	the	day of	
		, 1990	, by and	between	the	parties	subscribing,	ratifying
or	conse	nting heret	o, and he	er ei n re	ferr	ed to as	"parties her	eto";

WITNESSETH THAT:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by law (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statues 1978 Annot.), to consent to and approve the development of operation of State lands under agreeements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951; Chap. 19, Art. 10, Sec. 47, N.M. Stats. 1978 Annot.) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the Energy & Minerals

Department of the State of New Mexico is authorized by law (Chap. 72,

Laws 1935, as amended, being Sec. 70-2-1 et seq. New Mexico Statutes, 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the

North Vacuum (Abo) North Unit, comprised of the land hereinafter

designated, to give reasonably effective control of operations therein;

and

WHEREAS, it is the purpose of the parties hereto to enable institution and comsummation of secondary and/or enhanced oil recovery operations, conserve natural resources, prevent waste and secure the other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth.

NOW THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the Unitized Formation underlying the Unit Area, and agree severally among themselves as follows:

SECTION 1. ENABLING ACT AND REGULATIONS: The oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

SECTION 2. <u>DEFINITIONS</u>: For the purpose of this agreement, the following terms and expressions are used herein shall mean:

- (a) "Unit Area" is defined as the land depicted on Exhibit "A" and described by Tracts in Exhibit "B" attached hereto, and said land is hereby designated and recognized as constituting the Unit Area.
- (b) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.
- (c) "Division" is defined as the Oil Conservation Division of the

State of New Mexico.

(d) "Unitized Formation" shall mean that subsurface portion or portions of the Unit Area commonly known as the Abo Carbonate and identified as follows:

The Abo Carbonate shall be defined and construed as being that oil bearing zone the top of which was encountered at a depth of 8,440 feet and the base of which was encountered at a depth of 9,012 feet (log measurements) in the Shell Oil Company Shell State VI No. 1 Well, located 990 feet from the south line and 900 feet from the east line of Section 1, Township 17 South, Range 34 East, N.M.P.M., Lea County, New Mexico, as recorded on the Compensated Neutron Log of said well dated January 30, 1983.

- (e) "Unitized Substances" is defined as all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.
- (f) "Working Interest" is defined as an interest in Unitized Substances by virtue of a lease, operating agreement or otherwise, including a carried interest, which interest is chargeable with an obligation to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing and operating the Unitized Formation. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes, ratifies or consents to this agreement shall thereafter be treated as a Working Interest for all purposes of this agreement.

- (g) "Royalty Interest" is defined as a right to or interest in any portion of the Unitized substances or proceeds thereof other than a Working Interest.
- (h) "Working Interest Owner" is defined as a party hereto who owns a Working Interest.
- (i) "Royalty Owner" is defined as a party hereto who owns a Royalty Interest.
- (j) "Tract" is defined as each parcel of land described as such and given a Tract number in Exhibit "B".
- (k) "Tract Participation" is defined as the percentages of Unitized Substances allocated hereunder to a Tract as hereinafter defined. The Tract Participation of the Tracts within the Unit Area is shown on Exhibit "B" attached hereto.
- (1) "Unit Participation" is defined as the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract having Tract Participation by the Tract Participation of such Tract
- (m) "Unit Operating Agreement" is defined as any agreement or agreements entered into, separately or collectively, by and between the Unit Operator and the Working Interest Owners as provided in Section 9, Accounting Provisions and Unit Operating Agreement, infra, and shall be styled "Unit Operating Agreement, North Vacuum (Abo) North Unit, Lea County, New Mexico".
- (n) "Unit Manager" is defined as the person or corporation appointed by the Unit Working Interest Owners to perform the duties of the Unit Operator until the selection and

qualification of a Successor Unit Operator as provided for in Section 8, Successor Unit Operator, hereof.

SECTION 3. <u>UNIT AREA:</u> The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized constituting the Unit Area, containing 1762.79 acres, more or less, being the S/2 S/2 of Section 35 and the S/2 of Section 36, Township 16 South, Range 34 East, N.M.P.M. and also all of Section 1, E/2 and the S/2 NW/4 and the S/2 SW/4 of Section 2, and the NW/4 of Section 12, Township 17 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

Exhibit "A" to the extent known to Unit Operator, shows the boundaries and identity of Tracts and leases in the Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to Unit Operator, the acreage comprising each Tract and the percentage of ownership of each Working Interest Owner in each Tract. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest as shown in said map or schedule as being owned by such party. Exhibit "C" attached hereto is a schedule showing the Tract Participation of each Tract in the Unit Area, which Tract Participation has been calculated upon the basis of all tracts within the Unit Area being committed to this agreement as of the effective date hereof.

Exhibits "A", "B", and "C" shall be revised by Unit Operator whenever changes render such revision necessary and not less than two copies of such revision shall be filed with the Commissioner and Divison.

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

(a) The Working Interest Owner or Owners of a Tract or Tracts desiring to bring such Tract or Tracts into the Unit Area shall file an application therefor with the Unit Operator requesting

such admission.

- (b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest Owner in the Tract or Tracts proposed to be included in the Unit and/or affected by the proposed expansion setting out the basis for admission, the Tract Participation proposed to be allocated to such Tract or Tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if Working Interest Owners having a combined Unit Participation of ninety percent (90%) or more have agreed to such Tract or Tracts being brought into the Unit Area, then Unit Operator shall, after preliminary concurrence by the Commissioner and the Division:
 - (1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract Participation to be allocated thereto, and the proposed effective date thereof; and
 - (2) Furnish copies of said notice to the Commissioner and the Division, each Working Interest Owner and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansion; and
 - (3) File, upon the expiration of said thirty-day period as set out in Subsection (2) immediately above, with the Commissioner and Division the following: (a) Evidence of mailing copies of said notice of expansion; (b) An application for such expansion: (c) An instrument containing the appropriate joinders in compliance with

containing the appropriate joinders in compliance with the qualification requirements as provided in Section 13, Tracts Qualified for Unit Participation and (d) Copies of any objections received.

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

There shall never be any retroactive allocation or adjustment of operating expenses or of interest in the Unitized Substances produced (or the proceeds of the sale thereof) by reason of an expansion of the Unit Area; provided, however, this limitation shall not prevent any adjustment of investment necessitated by such expansion.

SECTION 5. <u>UNITIZED LAND AND UNITIZED SUBSTANCES</u>: All land committed to this agreement, as provided in Section 13, <u>Tracts</u>

Qualified for Unit Participation, as to the Unitized Formation defined in Section 2, <u>Definitions</u>, shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement". All oil and gas in the Unitized Formation in the Unitized Land are unitized under the terms of this agreement and herein are called "Unitized Substances".

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

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall

not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners and the Commissioner and Division unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator shall, upon default or failure in the performance of its duties and obligations hereunder, be subject to removal only by unanimous vote of all Working Interest Owners other than Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and Division.

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books and records, materials, appurtenances and other assets used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected, to be used for the purpose of conduction Unit Operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder from any liability or duties accruing to or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR: Whenever Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners, voting in the manner provided in the Unit Operating Agreement, shall select a successor Unit Operator; provided, however, that the voting interest of the outgoing Unit Operator shall not be considered for any purpose if such outgoing Unit Operator fails to vote or votes only to succeed itself. Such selection of a successor Unit Operator shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner and Division. If no successor Unit Operator is selected as herein provided, the Commissioner may declare this agreement terminated.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: All costs and expenses incurred by Unit Operator in connection with the organization and formation of the Unit as well as those costs and expenses incurred in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereunder in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflict between this agreement and the Unit Operating Agreement, this agreement shall prevail. One true copy of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which

are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request therefor, acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this agreement shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this agreement has been reasonably proven to be productive of Unitized Substances in paying quantities or is necessary for Unit Operations and that the object and purpose of this agreement is to formulate and to put into effect a secondary enhanced oil recovery project in order to effect a greater recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Division and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, steam and any other substance or a combination of any of said substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Reasonable diligence shall be exercised by Unit Operator in complying with the obligations of any approved plan of operation. The parties hereto, to the extent they have the right so to do, hereby grant Unit Operator the right to use brine or water (or both) produced from any formation underlying the Unit Area for injection into the Unitized Formation; provided, however, that this grant of said right shall not preclude the use of brine or water (or

both) produced from formations other than the Unitized Formation for injection into a formation other than the Unitized Formation. After commencement of secondary and or enhanced oil recovery operations, Unit Operator shall furnish the Commissioner and the Division monthly injection and production reports for each well in the Unit. The Working Interest Owners, the Commissioner and the Division shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the

The initial plan of operation shall be filed with the Division and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Reasonable diligence shall be exercised in complying with the obligations of said plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence, if not already having done so, secondary recovery operations and/or enhanced oil recovery operations on the Unit Area not later than six (6) months after the effective date of this Agreement, or any extension thereof approved by the Commissioner and Division, or this Agreement shall terminate automatically in which latter event the Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 12. TRACT PARTICIPATION: The percentages of Tract

Participation set forth in Exhibit "C" for each Tract within the Unit

Area have been calculated and determined in accordance with the following formulas:

WHERE:

A = Tract Cumulative Oil Produced to 7/1/89

- B = Tract Remaining Oil Reserves at 7/1/89
 (Using 90 BOPM/Well Cutoff)
- C = Tract Six Month Oil Rate, Jan-July, 1989
 - 40% = Weighting factor for Six Month Rate
 - 60% = Weighting factor for Total of

 Cumulative Oil & Remaining Oil Reserves
- D = Total Unit Area Cumulative Oil Production to 7/1/89
- E = Total Unit Area Remaining Oil Reserves to 7/1/89
 (Using 90 BOPM/Well Cutoff)
- F = Total Unit Area Six Month Oil Rate Jan-July, 1989

THEN:

Tract Participation =
$$0.60 (A + B)$$
 $0.40 \times C$

D + E + F

Such percentages of Tract Participation have been calculated upon the basis of all of said Tracts within the Unit Area being committed to this agreement as of the effective date hereof, and such Tract Participations shall govern the allocation of all Unitized Substances produced after the effective date hereof, subject, however, to any revision or revisions of the Unit Area and Exhibit "C" in accordance with the provisions hereof.

In the event less than all of the Tracts are committed hereto as of the effective date hereof Unit Operator shall promptly file with the Commissioner and Division at least two copies of revised Exhibits "B" and "C" setting forth on Exhibit "C" the revised Tract Participations opposite each of the qualified tracts, which shall be calculated by using the tract factors and formula set forth hereinabove, but applying the same only to the qualified Tracts. The revised Exhibits "B" and "C" shall, effective as of the effective date of this agreement, supersede the original Exhibits "B" and "C" attached hereto and shall thereafter govern the allocation of Unitized Substances unless disapproved by the Commissioner and Division within 30 days after filing.

If, subsequent to the effective date of this agreement, any

additional tract becomes committed hereto under the provisions of Section 3, Unit Area, or Section 28, Non-Joinder and Subsequent Joinder, or any committed tract is excluded herefrom under the provisions of Section 27, Loss of Title, Unit Operator shall revise said Exhibit "B" and "C" or the latest revision thereof to show the new percentage participations of the then committed tracts, which revised exhibit shall, upon its approval by the Commissioner and the Division, supersede, as of its effective date, the last previously effective Exhibits "B" & "C". In any such revision of Exhibit "C" the revised percentage participations of the respective tracts listed in the last previously effective Exhibit "C" shall remain in the same ratio one to another.

SECTION 13. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof, the Tracts within the Unit Area that shall be entitled to participate in the production of Unitized Substances therefrom shall be the Tracts within the Unit Area that are qualified as follows:

- (a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties hereto and as to which Royalty Owners owning seventy-five percent (75%) or more of the Royalty Interest therein have become parties hereto.
- (b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties hereto and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest therein have become parties hereto and, further, as to which:
 - (i) All Working Interest Owners in any such Tract have joined in a request for the commitment of such Tract to this agreement, and
 - (ii) Seventy-five percent (75%) of the combined voting

interest of Working Interest Owners in all Tracts meeting the requirements of Section 13 (a) hereof have voted in favor of the commitment of such Tract.

For the purposes of this Section 13 (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Unit Participation in all tracts qualifying under Section 13 (a) bears to the total Unit Participation of all Working Interest Owners in all Tracts qualifying under Section 13 (a), as such Unit Participation is determined from the Tract Participation set out in Exhibit "C".

- (c) Each tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest therein have becomme parties hereto, regardless of the percentage of Royalty Interest therein which is committed hereto and, further, as to which:
 - (i) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for the commitment of such Tract to this agreement and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands which may be made by the owners of working interests in such Tract who are not parties hereto and which arise out of the commitment of such Tract to this agreement, and
 - (ii) Seventy-five percent (75%) of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of Section 13 (a) and 13 (b) have voted in favor of the commitment of such Tract and acceptance of the indemnity agreement.

For the purpose of this Section 13 (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Unit Participation in all Tracts qualifying under Section 13 (a) and (b) bears to the total Unit Participation of all Working Interest Owners in all Tracts qualifying under Section 13 (a) and 13 (b) as such Unit Participation is determined from the Tract Participation set out in Exhibit "C". Upon the commitment of such a Tract to this agreement, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements in proportion to their respective Working interests in the Tract.

Section 14. Allocation of Unitized Substances: All Unitized Substances produced and saved from the committed Tracts within the Unit Area (less, save and except any part of such Unitized Substances which is used in conformity with good operating practices on the Unit Area for drilling, operating, camp and other production, development and pressure maintenance purposes, or which is unavoidably lost) shall be apportioned among and allocated to the committed Tracts within the Unit Area in accordance with the Tract Participation effective hereunder as such Tract Participation is shown in Exhibit "C" or any revision thereof. The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract), shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among or accounted for to the parties hereto entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this

agreement not been entered into, and with the same legal force and effect. No Tract committed to this Agreement and qualified for participation as heretofore provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances from such Tract.

If the Working Interest or the Royalty Interest in any Tract is, on or after the effective date hereof, divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participations assigned to such Tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on the Unit Area, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto or with operations upon or with regard to formations other than the Unitized Formation conducted within the Unit Area. Subject to Section 16, Royalty Settlement, hereof, any extra expenditure incurred by unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party (excepting the State of New Mexico) receiving the same in kind.

If any party fails to take in kind or separately dispose of its proportionate share of Unitized Substances, Unit Operator shall have the right, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share at not less than the prevailing market price in the area for like production; provided that, all contracts of sale by Unit Operator of any

other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any contract be for a period in excess of five years. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for making payment of all royalty to the parties entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

SECTION 15. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease 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 been produced legally shall be and remain the property of the Working Interest Owner entitled thereto the same as if the Unit had not been formed; and such Working Interest Owner shall promptly remove said oil from the Unit Area. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owner, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the Unit Agreement and any applicable lease or leases and other contracts. All such oil as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date, hereof, any Tract is overproduced with respect to the allowable of the well or wells on that Tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such Tract as having been delivered to the persons entitled to Unitized

Substances allocated to such Tract.

SECTION 16. ROYALTY SETTLEMENT: The State of New Mexico and all Royalty Owners who, under existing contracts, are entitled to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in conformity with the applicable contracts, laws and regulations.

Settlement for Royalty Interests not taken in kind shall be made by Unit Operator, or its agent, for and on behalf of the Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before sixty (60) days after the end of the calender month in which production is sold; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation for use in pressure maintenance, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Commissioner and the Division a like amount of gas, less appropriate deductions for loss from any cause may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not the products extracted therefrom; provided that such withdrawl shall be pursuant to such conditions and formula as may be prescribed or approved by the Commissioner and Division; provided further, that such right of withdrawl shall terminate on the termination of this agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the Unitized Formation for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Commissioner and Division; part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formula as may be prescribed or approved by the Commissioner and Division.

Royalty due on account of State lands shall be computed and paid on the basis of all Unitized Substances allocated to such lands. SECTION 17. RENTAL AGREEMENT: Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for payment of any rental or minimum royalty in lieu thereof due under their leases. Rental for lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico, or may be reduced or suspended under order of the Commissioner pursuant to applicable laws and regulations.

SECTION 18. <u>CONSERVATION</u>: 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 State laws and regulations.

SECTION 19. <u>DRAINAGE</u>: The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this agreement, or with consent of the Commissioner and pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Commissioner.

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 Commissioner, as to State leases, shall by his approval hereof or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental minimum royalty and royalty requirements of State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement. Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance

with the following:

- (a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned Tract subject to this agreement, regardless of whether there is any development of any particular part or Tract of the Unit Area, notwithstanding anything to the contrary in the 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, secondary recovery or enhanced oil operations performed hereunder upon any Tract of unitized lands shall be accepted and deemed to be performed upon and for the benefit of each and every Tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.
- (c) Suspension of drilling or producing operations on all Unitized land pursuant to direction or consent of the Division and Commissioner or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of unitized lands.
- (d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas which by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the terms of this agreement.
- (e) Termination of this agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws shall continue in force and effect therefter.

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

SECTION 21. <u>CONVENANTS RUN WITH LAND</u>: The convenants herein shall be construed to be convenants running with the land with respect to the interests 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 record instrument of transfer; and no assignment or transfer or any Royalty Interest subject hereto shall be binding upon the Working Interest owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 22. EFFECTIVE DATE AND TERM: This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 A.M. of the first day of the calendar month next following:

- (a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners having a combined Unit Participation of at least eighty-five percent (85%), and the execution or ratification of this agreement by Royalty Owners owning a combined interest of at least seventy percent (70%) of the Royalty Interest in said Unit Area; and
- (b) The approval of this agreement by the Commissioner and the Commission; and
- (c) The filing of at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator; and
- (d) The filing in the office of the County Clerk of Lea County,
 New Mexico, of a certificate by Unit Operator to the effect that
 (a), (b) and (c) above have been accomplished, and stating the
 effective date hereof;

and provided, further, that if (a), (b), and (d) above are not accomplished on or before _______, this agreement shall terminate ipso facto on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners having a combined Unit Participation of at least sixty-five percent (65%) and the Working Interest Owners having a combined Unit Participation of at least eighty percent (80%) committed to this agreement have decided to extend said termination date for a period not to exceed one (1) year (hereinafter called "extended termination date"). If said termination date is so extended and (a), (b), (c) and (d) above are not accomplished on or before said extended termination date this agreement shall terminate ipso facto on said extended termination date and thereafter be of no further force or effect.

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

This agreement may be terminated at any time with the approval of the Commissioner by Working Interest Owners having at least ninety percent (90%) Unit Participation, as determined from Exhibit "C".

Notice of such termination shall be given by Unit Operator to all parties hereto.

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

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interet Owners a period of six (6) months after termination of this agreement in which to

salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 23. APPEARANCE: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner and the Commission and to appeal from any order issued under the rules and regulations of the Commissioner or the Commission or to apply for relief from any said rules and regulations or in any proceedings relative to operations before the Commissioner or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceedings.

SECTION 24. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 25. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, that each party hereto convenants that during the existence of this agreement such party will not resort to any action at law or in equity to partition the Unit Area or the facilities used in the development or operation hereof and to that extent waives the benefits of all laws authorizing such partition.

SECTION 26. <u>UNAVOIDABLE DELAY:</u> All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from

any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or Municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 27. LOSS OF TITLE: In the event any Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Section 13, Tracts Qualified for Unit Participation, because of failure of title of any party hereto, such Tract shall be automatically regarded as not committed to this agreement effective as of 7:00 A.M. on the first day of the calendar month in which the failure of title is finally determined; provided, however, that such Tract shall not be so regarded if said Tract can be requalified for admission under Section 13 within ninety (90) days after the date on which such title failure was finally determined.

If any such Tract cannot be so requalified, Unit Operator shall revise the schedule previously filed with the Commissioner setting forth the Tracts committed hereto, and Unit Operator shall revise Exhibit "C" to show the tracts in the Unit Area that remain committed hereto and the Tract Participation of each of said Tracts, which revised Tract Participation shall be calculated and determined on the basis that the Tract Participation of each said Tracts shall remain in the same ratio one to the other. Copies of the revised schedule and exhibit shall be filed with the Commissioner and same shall be effective as of 7:00 A.M. on the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of such failure shall be governed by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates remains committed to this Agreement, the party whose title failed shall not be entitled to participate hereunder insofar as its participation is based on such lost Royalty Interest.

In the event of a dispute as to the title to any Working Interest or Royalty Interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State land or leases, no payments of funds due the State of New Mexico shall be withheld, but such funds shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 28. NONJOINDER AND SUBSEQUENT JOINDER: As the objective of this Unit Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, it is agreed that notwithstanding anything else herein, no joinder shall be considered a commitment to this Unit Agreement unless the Tract involved is qualified under Section 13 hereof, Tract Qualified for Unit Participation.

Joinder in the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder by the owner to the Unit Operating Agreement in order for the interest to be regarded as effectively committed to this Unit Agreement. Joinder by any owner of a Royalty Interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding Working Interest Owner in order for the interest to be regarded as committed hereto.

Any oil or gas interest in the Unitized Formation in lands within the Unit Area not committed hereto prior to final approval of this agreement by the Commissioner may thereafter be committed hereto upon compliance with the applicable provisions of Section 13, Tracts
Qualified for Unit Participation, hereof, within a period of two (2) months thereafter on the same basis of participation as provided for in Section 12, Tract Participation, and as set forth in Exhibit "C", by the owner or owners thereof subscribing 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 after two (2) months from the Effective Date hereof, the right of subsequent joinder as provided

in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by Working Interests Owners having a combined Unit Participation of less than ninety percent (90%), provided that Tract Participation of each previously committed Tract shall remian in the same ratio one to the other. Such joinder by a Working Interest Owner must be evidenced by its execution or ratification of this Unit Agreement and the Unit Operating Agreement. Such joinder by a Royalty Owner must be evidenced by its execution or ratification of this Unit Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder on behalf of such Royalty Owner. Except as may be otherwise herein provided, subsequent joinders shall be effective at 7:00 A.M. of the first day of the month following the filing with the Commissioner, of duly executed documents necessary to establish effective commitment unless reasonable objection to such joinder by the Commissioner is duly made within sixty (60) days after such filing. Notwithstanding any of the provisions to the contrary, all commitments of the State of New Mexico lands must be approved by the Commissioner.

number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described Unit Area.

SECTION 30. JOINDER COMMITMENT: Execution as herein provided by any party either as a Working Interest Owner or as a Royalty Owner shall commit all interest that may be owned or controlled by such party.

SECTION 31. 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

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 taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the State of New Mexico, or to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 32. PERSONAL PROPERTY EXCEPTED: All lease and well equipment, materials and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interest therein as among Working Interest Owners are covered by the Unit Operating Agreement.

SECTION 33. <u>NO PARTNERSHIP</u>: The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 34. <u>CORRECTION OF ERRORS</u>: It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners having a combined Unit Participation of fifty percent (50%) or more and the Commissioner.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the first above written and have set opposite their respective names the date of execution.

Attest:

BY: Michael Amini
Secretary

BY: Jesse Minor, President
10101 Reunion Place, #800
San Antonio, Texas 78216

INTEREST OWNERS

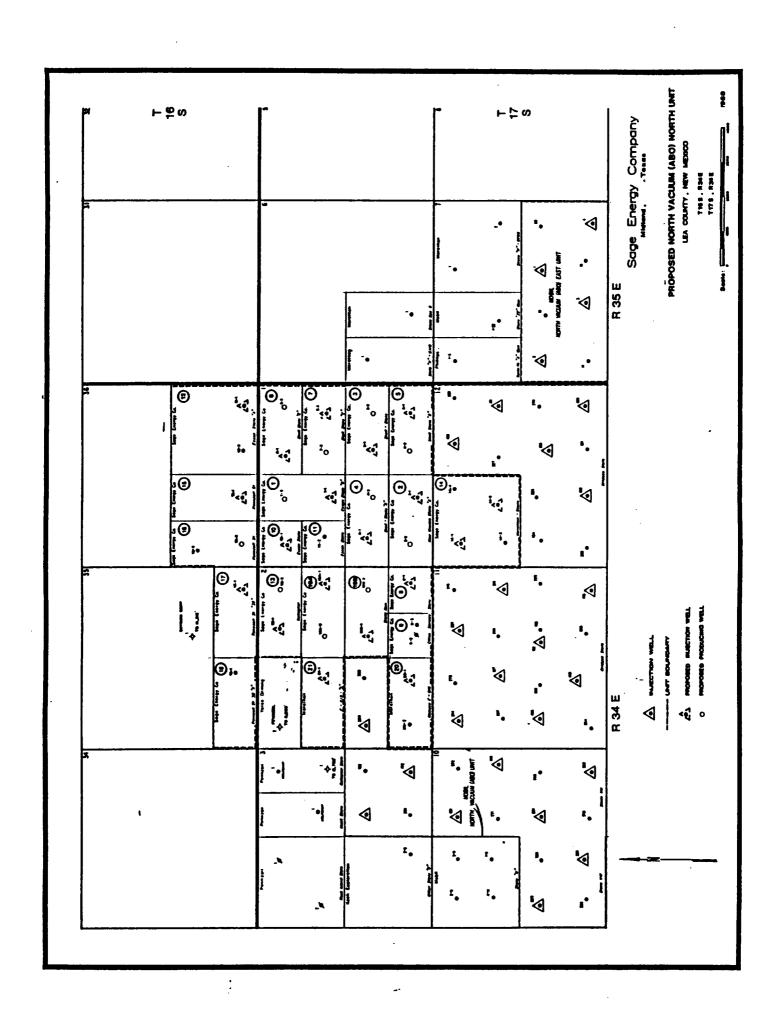
witness:	Brian Burns
Date Executed:	
Witness:	Charles Robbins
Date Executed:	0.0000000000000000000000000000000000000
	CULBERTSON MANAGEMENT, INC.
Witness:	BY:
Date Executed:	
	E.A. CULBERTSON TRUST
Witness:	BY:
Date Executed:	
Witness:	Elizabeth Robbins
Date Executed:	
	ESTATE OF A.M. PATE, JR.
Witness:	ВҮ:
Date Executed:	
	EXXON COMPANY, U.S.A.
Attest:	ВҮ:
Date Executed:	
	FARGO ENERGY CORPORATION
Attest:	BY:
Date Executed:	
Witness:	W. Glenn Burton
Date Executed:	w. olem buleon
Witness:	Harold Jones
Date Executed:	

Witness:	
Date Executed:	J.A. Davidson
Witness:	John Eddy
Date Executed:	
Witness:	Kathleen Irwin
Date Executed:	
	MARATHON OIL COMPANY
Attest:	BY:
Date Executed:	
Witness:	Marshall Leaf
Date Executed:	
Witness:	Martha V. Leonard
Date Executed:	
Witness:	Nelson Breining
Date Executed:	5
	OXY U.S.A., INC.
Attest:	BY:
Date Executed:	
	PENNZOIL EXPLORATION & PRODUCTION
Attest:	BY:
Date Executed:	
Witness:	R.H. Hannifin
Date Executed:	
	SCOPE INDUSTRIES
Attest:	BY:
Date Executed:	

•••	
Witness:	Sebert L. Pate
Date Executed:	
	SECA, LTD.
Witness:	BY:
Date Executed:	
	COMMISSIONER OF PUBLIC LANDS STATE OF NEW MEXICO
Witness:	BY:
Date Executed:	
	UNIVERSITY OIL COMPANY
Attest:	BY:
Date Executed:	
	WAINOCO OIL AND GAS COMPANY
Attest:	BY:
Date Executed:	
	WALLACE W. IRWIN TESTAMENTARY TRUST
Witness:	ВҮ:
Date Executed:	
	WESTERN LEASING COMPANY
Attest:	ВҮ:
Date Executed:	

Gregory J. Gallagher, Individually and as Attorney-in-Fact for Marguerite G. Price, Mary Margaret Pope, Mary Catherine Taylor, Charles Raymond Gallagher, III, Stephen Lawrence Knieriem, Christopher W. Knieriem, Gregory Charles Gallagher, Michael J. Gallagher, Kathleen Marie Cooper, Natalie Pope, William G. Pope and Delphine Pope Keller

Witness Date Executed:	Gregory J. Gallagher
Robin Herndon, Individually an Frances Herndon, Peter G. Hern Robin C. Herndon, III, Mary He	
Witness Date Executed:	Robin Herndon
Mary B. Gallagher, Mary G. Her	ally and as Attorney-in-Fact for ondon, Charleen G. Knieriem, Natalie agher, Susan Gallagher Grey and
Witness Date Executed:	C.R. Gallagher, Jr.
STATE OF TEXAS	
COUNTY OF BEXAR	
This instrument was acknowledged by Jesse Minor, President of SAGE ENE behalf of said corporation.	perfore me on, 1990 by ERGY COMPANY a Texas corporation, on
	Notary Public
THE STATE OF TEXAS	
COUNTY OF BEXAR	
This instrument was acknowledged be Ron Amini, President of FARGO ENER behalf of said corporation.	pefore me on, 1990 by RGY CORPORATION a Texas corporation, on
	Notary Public



Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage	yalty ge	Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage	
3.72900	SE/4NW/4 1-17S-34E	04	New Mexico St. B-936 Exp. 11-22-33	State	12.5%	Exxon Corporation \$	Exxon Corporation	6.2197%	Sage Energy Fargo Energy Marshall Leaf Sebert Pate Est. of A.M. Pate Charles Robbins Margaret Robbins Seca, Ltd.	73.5% 9.25% 3.0% 3.125% 3.125% 2.0% 4.0%
	Lot 3 1-17S-34E	40.39	St. K-4606-1 Exp. 12-15-69	State	12.5%	Shell Western E & P Inc.	Sage	6.2803	Sage Energy Fargo Energy Marshall Leaf Sebert Pate Est. of A.M. Pate Charles Robbins Margaret Robbins Seca, Ltd.	73.5% 9.25% 3.0% 3.125% 2.0% 4.0%

Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage	ţţ.	Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage	
2) 2.57748	S/25W/4 1-17S-34E	80.00	New Mexico ST. E-5765-5 Exp. 11-10-56	State .	12.5%	Pennzoil Exploration & Production Co.	Culbertson Management, Inc. Kathleen Irwin J.A. Davidson R.H. Hannifan Pennzoil Harold Jones Scope Industries Wallace Irwin Trust E.A. Culbertson Test. Trust	1.5625% 1.5625% 1.5625% .8291% 4.1470% .83% 6.25% 1.5625%	Sage Energy Fargo Energy Wainoco Brian Burns Seca Ltd.	41.697 36.257 17.067 2.007 3.007
3) 2.88135	N/2SE/4 1-17S-34E	80.0	New Mexico ST. K-4606-1 Exp. 12-15-69	State	12.5%	Shell Western E & P Inc.	Sage Energy	12.5%	Sage Energy Fargo Energy Brian Burns Estate of A.M. Pate Jr. Sebert L. Pate	70.0% 18.75% 5.0% 3.125% 3.125%
4) 3.15766	N/2SW/4 1-17S-34E	80.0	New Mexico ST. K-4606-1 Exp. 12-15-69	State	12.5%	Shell Western E & P Inc.	Sage Energy	12.57	Sage Energy Fargo Energy Seca Ltd. Estate of A.M. Pate Jr. Sebert L. Pate	67.5% 20.25% 6.0% 3.125% 3.125%

	69.752 10.0 12.0 1.0 1.0 3.125 3.125	85.75% 6.0 3.125 3.125 2.0	82.75% 8.00 3.125 3.125 2.0 1.0	27.4625% 35.0 5.2 .65 .65 26.975 4.0625
	ns ns	ω	e ns	27.462 35.0 35.0 nard 5.2 ng .65 26.975
Working Interest and Percentage	Sage Energy Fargo Energy Seca Ltd. Elizabeth Robbins Charles Robbins Estate of A.M. Pate Jr. Sebert L. Pate	Sage Energy Fargo Energy Estate of A.M. Pate Jr. Sebert L. Pate Marshall Leaf	Sage Energy Fargo Energy Estate of A.M. Pate Jr. Sebert L. Pate Marshall Leaf Charles Robbins	Sage Energy Oxy USA Inc. Martha V. Leonard Western Leasing Glenn Burton Fargo Energy University Oil
	12.5%	12.5%	12.5%	
Overriding Royalty and Percentage	Sage Energy	Sage Energy	Sage Energy	
Lessee of Record	Shell Western E & P Inc.	Shell Western E & P Inc.	Shell Western E & P Inc.	Yates Drilling Company
Basic Royalty and Percentage	State 12.5%	State 12.5%	State 12.5%	State 12.5%
Name or No. Bace exp. date	New Mexico St St. K-4606-1 Exp. 12-15-69	New Mexico St St. K-4606-1 Exp. 12-15-69	New Mexico St St. K-4606-1 Exp. 12-15-69	New Mexico St St. E-754-5 Exp. 2-11-51
Number of Acres	80	40.08	80.0	0 7
Description of Land	S/2SE/4 1-17S-34E	Lots 1 & 2 1-17S-34E	S/2NE/4 1-17S-34E	SE/4SE/4 2-17S-34E
Tract Number & Participation Factor in Unit	5) 4.03324	6) 3.03403	7) 5.34556	8) 3.60754

Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage		Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	
9) 12.10068	SW/4SE/4 2-17S-34E	40	New Mexico St. E-754-5 Exp. 2-11-51	State	12.5%	Yates Drilling Co.		Sage Energy Oxy USA Inc. Fargo Energy Western Leasing Martha V. Leonard Glenn Burton	28.6254% 36.4821 28.1173 .6775 5.4202
10) 3.14340	Lot 4 1-17S-34E	40.54	New Mexico St. B-936 Exp. 11-22-33	State	12.5%	Exxon Corporation		Exxon Corp. Fargo Energy	50.0
11) 3.14010	SW/4NW/4 1-17S-34E	07	New Mexico St. B-936 Exp. 11-22-33	State	12.5%	Exxon Corporation	Exxon 12.5% Corporation	Fargo Energy 1	100.0
12) 3.95305	SE/4 36-16S-34E	160	New Mexico St. B-936 Exp. 11-22-33	State	12.5%	Exxon Corporation		 Sage Energy Exxon Fargo Energy Martha V. Leonard Estate of A.M. Pate, Jr. Sebert L. Pate Charles Robbins Seca Ltd.	19.75 50.00 20.625 4.0 1.5625 1.5625 1.5

Working Interest and Percentage	See List	Sage Energy 91.0% Marshall Leaf 3.0 Charles Robbins 1.0 Margaret Robbins 2.0 Seca Ltd. 3.0	Sage Energy 54.5% Marshall Leaf 1.3333 Nelson Breining 3.3333 Seca Ltd. 2.6667 University Oil 4.1667 Charles Robbins .6667 Pennzoil 33.3333
		17.5%	3.0%
Overriding Royalty and Percentage		Marathon	John Eddy
Lessee of Record	C.R. Gallagher	Marathon 9 011 Company	Pennzoil Exploration & Production Company
.ty	12.5%	12.5%	12.5%
Basic Royalty and Percentage	State	State	State
Name or No. & exp. date of Lease	New Mexico St. E-1816-3 Exp. 4-10-53	New Mexico St. B-2244 Exp. 1-31-34	New Mexico St. K-5275-3 Exp. 9-21-70
Number of Acres	40.70	160	80
Description of Land	Lots 1 & 2 2-17S-34E	NW/4 12-17S-34E	E/2SW/4 36-16S-34E
Tract Number & Participation Factor in Unit	13) 4.84999	14) 22.52457	15) 2.07836

Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage		Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage	1
16) 1.49248	W/2SW/4 36-16S-34E	80	New Mexico St. K-5275-3 Exp. 9-21-70	State	12.5%	Pennzoil Exploration & Production Company	Pennzoil John Eddy	3.0	Sage Energy 81.75% Marshall Leaf 2.0 Nelson Breining 5.0 Seca Ltd. 4.0 University Oil 6.25 Charles Robbins 1.0	Δ.
17) 2.01703	S/2SE/4 35-16S-34E	08	New Mexico St. L-3393-2 Exp. 8-19-74	State	12.5%	Pennzoil Exploration & Production Company			Sage Energy 22.425% Estate of 2.03125 A.M. Pate, Jr. Sebert L. Pate 2.03125 Pennzoil 35.0 Martha V. Leonard 5.2 Fargo Energy 33.3125	53 125 125 25
18) .75426	S/2SW/4 35-16S-34E	80	New Mexico St. L-4526-1 Exp. 5-19-75	State	12.5%	Pennzoil Exploration & Production Company	Pennzo11	15.5%	Sage Energy 98.0% Nelson Breining 2.0	

Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage		Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	
19A) 3.65491	SE/4NE/4 2-17S-34E SW/4NE/4 2-17S-34E	07 07	New Mexico St. K-5029-2 Exp. 5-18-70 New Mexico St. E-754-5 Exp. 2-11-51	State te	12.5%	Pennzoil Exploration & Production Company Yates Drilling Company		Sage Energy 2 Martha V. Leonard University Oil Western Leasing Glenn Burton Fargo Energy 2 Pennzoil 13 Wainoco Inc. 17	26.4875% ird 5.2 4.0625 4.0625 5.65 27.95 13.5184 3.9816
19B) 3.65491	NE/4SE/4 2-17S-34E	04	New Mexico St. K-5029-2 Exp. 5-18-70	State	12.5%	Pennzoil Exploration & Production		Sage Energy 20 Martha V. Leonard Estate of A.M. Pate, Jr. Sebert L. Pate	26.4875% ird 5.2 2.03125
	NW/4SE/4 2-17S-34E	0 4	E-754-5 Exp. 2-11-51			Yates Drilling Company		Western Leasing Glenn Burton Fargo Energy Pennzoil Wainoco Inc. Oxy USA	65 27.95 13.5184 3.9816 17.5
20) 6.62843	S/2SW/4 2-17-34E	80	New Mexico St. E-619-5 Exp.	State 1	12.5%	Yates Drilling Company	Pennzoil 4.375%	Marathon Oil Wainoco	50.0
21) 1.64197	S/2NW/4 2-17S-34E	80	New Mexico St. E-619-5 Exp.	State	12.5%	Yates Drilling Company		Marathon Oil	100.0

NORTH VACUUM (ABO) NORTH UNIT UNIT AGREEMENT "EXHIBIT C"

PART I
TRACT & UNIT PARTICIPATION - TRACT BASIS

	LENSE/WELLS	The states when the states were the states when the states whe	A state of the sta	
72.090	OFFICE	SAGE EMERGY COMPANY TANGO EMERGY EXPLOYED LED! SEDUCT OF A H PART JR. SEDUCT OF A H PART JR. SEDUCT OF A H PART JR. SECALUM. SECA	SACE EMERGY COMPANY FARGO EMERGY FRIDA BURNS WALNOCO I A CULAERESON WALLACE INDUSTRIES ENADLE PRINTES FRANCOLL STRUE OF NEW MEXICO I A DAVIDSON E BANNITIN I A DAVIDSON EXTRUEN INTER EXHILTH INTER	FARCO EMERCE RETAIN BORMS ESENCE OF A M PACE JR. SERENCE PACE SACE EMERCE COMPANY
	10:		######################################	
GROSS W.	GDS1 17.	00000000000000000000000000000000000000	0.1416 0.1362500 0.1362500 0.170600 0.170600	0.187500 0.050000 0.031250 0.031250
	77 TH	0.551249 0.068378 0.022500 0.022500 0.015000 0.015000 0.125000 0.062197 0.062197	0.173121 0.0228721 0.0228721 0.0127380 0.0127380 0.02500 0.02500 0.015500 0.015500 0.015500	0.140624 0.017500 0.021438 0.022438
TENACT PANETICEPANTON	TEALCT PARKT CTPANTON	00000000000000000000000000000000000000	0.0257748 0.02577748 0.02577748 0.02577748 0.02577488 0.02577488 0.02577488	
UNITED TOTALS OF THE PARTY OF T	WITE STATEMENT OF THE PROPERTY	0.0274082 0.0011483 0.0011483 0.0001483 0.0007488 0.001488	0.0107488 0.0093434 0.0007132 0.0043972 0.0257748	0.0054025 0.001407 0.0009004 0.0009004 0.0201695
WALT CIPATION . SECTION	WITT PARTICIPATION PATENTE NECES	0.022561 0.0025870 0.0025870 0.008740 0.008740 0.005593 0.005593 0.005593 0.0023420 0.0023420 0.0023194	0.0001111 0.00011111 0.000111111 0.0001111111 0.00011111111	0.0040519 0.0010805 0.0006733 0.0006753

PLACE	Lease/Wells	LEASE/WELLS OWNER TYPE .		GROSS WI	TEACT NET NRI PARTICIE WI	TRACT PARTICIPATION WI	UNIT ATION PARTICIPATION . EXPENSE NI NI	UNIT PARTICIPATION REVENUE NRI
		SAGE ENERGY COMPANY STATE OF NEW MEXICO	ORR RI	1.000000	0.125000 0.125000 1.000000	5 - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 0 - 0 -	0.0000000 0.0000000 ######## 0.028##### 0.028#####	0.0036017 0.0036017 ********
•	SHELL STATE "A"	FARGO ENERGY ESTATE OF A M PATE JR. SEBERT L PATE SECE LTD. SAGE ENERGY SAGE ENERGY	WI WI WI RI RI ORR	0.021550 0.0311250 0.0311250 0.0601250 0.06000 1.0000 0.000	00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00	0.00115766 0.00115766 0.00115766 0.00115766 0.00115766	0.0063942 0.0009868 0.00189468 0.0213142 0.03154 426	0.004401 0.0004401 0.0007401 0.00159856 0.0159856 0.0139471 0.0139471
n	SHELL STATE B	SAGE ENERGY COMPANY FARCO ENERGY ESTATE OF AM PATE JR. SEBERT L PATE CHARLES ROBBINS ELIZABETH ROBBINS SECA LID. SAGE ENERGY COMPANY STATE OF NEW MEXICO	PORTITION OF THE PROPERTY OF T	0.0100000 0.031250 0.031250 0.010000 0.010000 1.00000000000000000	0.023500 0.023500 0.023500 0.023500 0.023500 0.02500 0.02500 0.02500 0.02500 0.02500 0.02500	0000000 4000000 000000000 000000000000	0.00.00.00.00.00.00.00.00.00.00.00.00.0	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0
ମ ଏ	SHELL STATE C NO. 1	HARGO ENERGY MARSHALL LEAF ESTATE OF A H PATE SEBERT L PATE SAGE ENERGY COMPANY SAGE ENERGY COMPANY STATE OF NEW MEXICO	WI WI WI ORR RI	0.000000000000000000000000000000000000	00.00 00	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	0.0008068 0.00096881 0.00096881 0.02601881 0.02601881 0.036801881 0.036801881	0.0013683 0.0004581 0.00071111 0.00071111 0.0037928 0.0037928 0.0037928 0.0037928
7	SHELL STATE "C" NO.	"C" NO. FARGO ENERGY	In	0.08000	0.060000	0.0534556	0.0042764	0.0032073

UNIT PARTICIPATION REVENUE NRI	0.00012829 0.0012829 0.0012829 0.0012829 0.0012829 0.0066820 0.01488	0.001000000000000000000000000000000000	0.0386275 0.0007173 0.0297709 0.0057390 0.0303089 0.0151259	0.0137524 0.0137524 0.0019292 ********
UNIT PARTICIPATION EXPENSE WI	0.0010691 0.0016705 0.0008346 0.042346 0.04 42346 0.08 4836	0.0012626 0.0012345 0.0002345 0.0002345 0.000145 0.0014636 0.0099072 0.01666 0.03666	0.00 0.004 0.004 0.006 0.006 0.006 0.006 0.004 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000	0.0157170 0.0157170 ********
TRACT PARTICIPATION WI	00000000000000000000000000000000000000	000000 000000 000000 000000 000000 00000	0.1210068 0.1210068 0.1210068 0.1210068 0.1210068	0.0314340 0.0314340 0.0314340
NET NRI	00.000 00.000 00.0020 00.0020 00.0020 00.0020 00.0020 00.0020 00.0020 00.0020	00000000000000000000000000000000000000	0.31 0.00 0.00 0.00 0.00 0.00 0.00 0.25 0.25	0.437500 0.12500 0.125000 ********
GROSS WI	0.020000 0.031250 0.031250 0.831250 0.827500 1.00000	0.0000 0.0000 0.00000 0.000000 0.000000 0.000000	0.364821 0.006775 0.284202 0.006775 0.286202 1.00000	0.500000 0.500000 1.000000
	THE THE TENT OF TH			보보고 ·
Tract Lease/Wells Owner Type	MARSHALL LEAF ESTATE OF A H PATE SEERT L PATE CHALLES ROBBINS SAGE ENERGY COMPANY SAGE ENERGY COMPANY SAGE ENERGY COMPANY	E NO. 1 OXY USA INC. HARTEA V. LEONARD WESTERN LEASING GLENN BURTON FARGO ENERGY UNIVERSITY OIL SAGE ENERGY COMPANY STATE OF NEW MEXICO	OXY USA INC. WESTERN LEASING FARGO ENERGY HARTHA V. LEONARD GLENN BUFFON SAGE ENERGY COMPANY STATE OF NEW MEXICO	EXCON FARGO ENERGY STATE OF NEW MEXICO
Lease/Wells	2460996	CITIES SERVICE STATE NO. NY. HART HEST GLEN FARG UNIV STATE	CITIES SERVICE NO. 3 OX WE FA HA HA SAL SAL ST	EXXON STATE NO. 1 EX FAN
TRACT		ʊ	6	10

UNIT PARTICIPATION REVENUE NRI		0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	0. 0.0.0.0.0.0.0.0.0.0.0.0.0.0.0.0.0.0.	
UNIT PARTICIPATION EXPENSE WI		.031	4	
TRACT PARTICIPATION WI		0.0314010 0.0314010 0.0314010		00000000000000000000000000000000000000
NET NRI		12200	00000000000000000000000000000000000000	
GROSS WI		1.000000 1.000000	1.000000000000000000000000000000000000	0.000.0000.0000.0000.0000.0000.0000.0000
TYPE		ORR RI	보보보보보보보보	빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌빌 빌빌빌빌빌빌빌빌빌빌빌빌빌빌
RACT LEASE/WELLS OWNER	R	EXXON FARGO ENERGY STATE OF NEW MEXICO	EXXON FARGO ENERGY MARTHA V. LEONARD ESTATE OF A M PATE JR. SEBERT L PATE CHARLES ROBBINS SECA LID. GLENN BURTON SAGE ENERGY COMPANY STATE OF NEW MEXICO	C R GALLAGHER MARY B GALLAGHER SUSAN GALLAGHER GEEY CHRISTINE GALLAGHER SEGER CHARLES BERNARD GALLAGHER GREGORY J GALLAGHER KATHLEEN GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARY G HERNDON RARY G HERNDON MARY HERNDON MARY HERNDON MARY HERNDON MARY HERNDON NATALLE G POPE WILLIAM G POPE JR. MARY HARGARETTE POPE WILLIAM G POPE CHARLEEN G KNIERIEM MATALLE POPE CHARLEEN G KNIERIEM MARY KNIERIEM
Lease/Wells		ON STATE NO. 2	ON STATE "A"	GALLAGBER STATE
TRACT		11 EXXON	12 EXXON	13 GAL

UNIT PARTICIPATION REVENUE NRI	0.000000000000000000000000000000000000	0.0047302 0.00157402 0.001157402 0.0047304 0.01544302 0.01541815 0.025811815 0.22581180	0.00008842 0.00008842 0.00008834 0.000041173 0.00088741 0.000887413 0.00987413 0.00987413	0.000233 0.0005597 0.0006597 0.0006996 0.0001119
UNIT PARTICIPATION. EXPENSE WI	0.000000000000000000000000000000000000	0.0067574 0.002524 0.0045049 0.0067574 0.204936	0.000371 0.0005328 0.0005542 0.0005542 0.0051386 0.005278 0.011371 0.02078	0.0002985 0.0007462 0.0005970 0.0009128 0.012011
TRACT PARTICIPATION WI	00000000000000000000000000000000000000	0.22 2.22 0.22 2.22 2.22 2.22 2.22 2.22	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	0.0149248 0.0149248 0.0149248 0.0149248 0.0149248
NET NRI	0.000574 0.017774 0.017774 0.285997 0.125000 1.000000	0.021000 0.021000 0.021000 0.021000 0.637000 0.175000 1.00000	0.01267 0.028167 0.028167 0.035233 0.035233 0.460514 0.0280600 0.1250000 1.000000	0.015000 0.03500 0.04500 0.04500 0.01500
GROSS WI	00.00000000000000000000000000000000000	0.0100000 0.0200000 0.0300000 0.9100000 1.0000	0.00101010 0.00101010 0.0010101010 0.001010101	0.020000 0.050000 0.040000 0.062500 0.012500
TVDE		WI WI WI WI RI RI	AN MARKATA	
LEASE/WELLS OWNER TYPE	STEPHEN LAWERENCE KNIEREIM MAKTHA V LEONARD ESTATE OF A M PATE JR. SEBERT L PATE FARCO ENERGY SAGE ENERGY COMPANY STATE OF NEW MEXICO	MARSHALL LEAF CHARLES ROBBINS ELIZABETH ROBBINS SECA LTD. SAGE ENERGY COMPANY MARATHON OIL STATE OF NEW MEXICO	MARSHALL LEAF NELSON BREINING SECA LID. UNIVERSITY OIL. CHARLES ROBBINS PENNZOIL SAGE ENERGY COMPANY JOHN EDDY STATE OF NEW MEXICO	MARSHALL LEAF NELSON BREINING SECA LID. UNIVERSITY OIL CHARLES ROBBINS SAGE ENERGY COMPANY
Lease/Wells		14 Marathon State	PENNZOIL STATE NO.	PENNZOIL STATE NO.
TRACT		14 KM	NIA NIA	91 91

ONIT PARTICIPATION REVENUE NRI	0.0014179 0.0004477 0.0018656 +++++++	0.000000000000000000000000000000000000	0.0001086 0.0051211 0.0011691 0.0009428 0.00754428	0.0016610 0.0012992 0.0002079 0.0089186 0.0089186 0.0081318 0.0081966 0.0084708 0.0084708	0.0016630
		14 64 68 68 68 68 68 68 68 68 68 68 68 68 68	11509 1917 1917 1618 1618	044444 0044444 04444 04444 00464	8006
UNIT PARTICIPATION EXPENSE NI	***************************************	0.0070596 0.0010489 0.0004097 0.0067192 0.0065132 0.026133	0.001509 0.0073917 *******	00000000 #0 000000000 #0 000000000 #0 00000000	0.001900
TRACT PARTICIPATION WI	0.0149248 0.0149248 0.0149248	0.0201703 0.0201703 0.0201703 0.0201703 0.0201703 0.0201703	0.0075426 0.0075426 0.0075426 0.0075426		0.0365491
Net nri	0.095000 0.030000 0.125000 1.00000	0.300280 0.004880 0.017774 0.196184 0.196218 1.00000 1.00000	0.01460 0.15560 0.155600 0.125600 1.0000		0.0455000
GROSS W.	00000	0.00000 0.00000 0.000000 0.100000 0.10000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000 0.1000	0.020000 0.980000 1.00000	00000000000000000000000000000000000000	0.0520000
TYPE	e e				
Ħ	ORR ORR FI		THE COLUMN .		Ĭ.
OWNER	** PENZOIL JOHN EDDY STATE OF NEW MEXICO	PENZOIL NARTHA V. LEONARD ESTATE OF A M PATE SEBERT L PATE FAGO ENERGY SAGE ENERGY COMPANY STATE OF NEW MEXICO	"A" NO. 1 NELSON BREINING SAGE ENERGY COMPANY PENNZOIL STATE OF NEW MEXICO	D NO. 1 MARTHA V. LECHARD UNIVERISTY OIL WESTERN LEASING GLENN BURTON FARCO ENERGY PENNZOIL WALNOCO OXY USA INC. SAGE ENERGY STATE OF NEW MEXICO	STATE COMMUNITIZED NO. 2 MARTHA V. LEONARD
LEASE/WELLS	**************************************	17 PENNZOIL STATE 35	Penkzoll state 15	STATE COMMUNITIZED	LATE COMMUTIZE
TRACT	ē • • •	H H	17 80 17	19A ST	25 act

** AT PAYOUT PENNZOIL HAS THE OPTION TO CONVERT ITS ORRI TO A WI PER AN AGREEMENT BETWEEN AMINI OIL COMPANY AND PENNZOIL DATED 11/12/73.

DARTICIPATION PARTICIPATION EXPENSE REVENUE WI	0.0007424 0.0002376 0.0002376 0.0002376 0.002376 0.002376 0.002376 0.002376 0.002378 0.002378 0.002386 0.0043409 0.0053961 0.0053961 0.0053966 0.0053966 0.0053966 0.0053966	0.0331421 0.0331422 0.0331422 0.028994 0.0082855 **********************************	0.0164197 0.0143672 0.0000000 0.0020525 ********* 0.0164197 1.0000000 1.0000000
TRACT NET NRI PARTICIPATION PARTICIPATION EXPENSE NI NI		00.00 00	0.0164197
NET NRI	0.001777 0.0017777 0.0017777 0.0017777 0.017878 0.017878 0.017878 0.017878 0.017878 0.017878 0.017878 0.017878 0.017878 0.017878	0.043750 0.193750 0.43750 0.125000 1.000000	0.875000 0.125000 ######### 1.00000
GROSS WI	0.000000000000000000000000000000000000	0.500000 0.500000 1.500000	1.00000
TYPE		ORR WI WI RI	보고
ract lease/wells owner Type .	ESTATE OF A W PATE JR. SEBERT L PATE WESTERN LEASING GLENN BURTON FARCO ENERGY PENNZOIL WALNOCO OXY USA INC. SAGE ENERGY COMPANY STATE OF NEW MEXICO	PENYZOIL WALNOCO MARATHON STATE OF NEW MEXICO	MARATHON OIL STATE OF NEW MEXICO
Lease/Wells		20 WAINOCO E-619	State e-169 "A"
PACT		20 WAI	21 STA

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NORTH VACUUM (ABO) NORTH UNIT UNIT AGREEMENT EXHIBIT "C" PART II TRACT & UNIT PARTICIPATION - OWNER BASIS

				TRACT	TIME	
ONGCER	2222	CROSS VI	NET 101	Parcicipation Wi	IN ISHEAZZ NOTING	THE
OWNER	Z.Z.L	GROSS WI	NET NEC	TRACT PARCTICIPACTOR WI	UNIT PARTICIPATION EXPENSE WI	URIT PARTICIPATION REVENUE MRI
eassassassassassassassassassassassassass	i.	0.050000 0.020000	0.037500 0.013400	0.0288135	0.0014407	0.0010805
				يتو	0.0019562	0.0014259
C R GALLAGRER	Ħ	0.065734	0.057518	0.0484999	0.0031381	0.0027897
TOTAL				•	0.0031881	0.0027897
CENELZEY 6 INTERIER	ħ	0.066719	0.058379	0.0484999	0.0032358	0.0028314
TOTAL			. •		0.0032358	0.0028314
CONTRS BENGAN CALLAGRER	Ħ	0.001313	0.001149	0.0484999	0.0000637	. 0.000557
			•		0.0000637	0.0000557
CERELES RATHOND CALLAGRER II	Ħ	0.001313	0.001149	0.0484999	0.0000637	0.0000557
TOTAL				. ·	0.0000637	0.0000557
CHARLES ROBBINS CHARLES ROBBINS	II II	0.020000	0.015000	0.0372900	0.0007458	0.0005593
CHARLES ROBBINS CHARLES ROBBINS		0.010000	0.007000	0.0149248	0.0001492	0000
		0.006667	0.005634	0.0207836	0.0001386	0.0001171
	•				0.0044215	0.0032433
CHRISTING CALLACHER SECEN	¥	0.001313	0.001149	0.0484999	. 0.0000637	0.0000557
. Trioi				•	0.0000637	0.0000557
CHRISTOPHER W XMIERIEM	Ħ	0.001313	0.001149	0.0484999	0.0000637	0.0000557
TOTAL	•		•		0.0000637	0.0000557

DNIT Participation Revenue	NRI ***************	0.0004027	0.0004027	0.0000557	0.0000557	0.0004027	0.0004027	0.0005593 0.0031534 0.003025	0.0040152	0.0009453 0.0012529	0.0006753	0.0007111	0.0008620	0.0006496	0.0076093	0.0137524 0.0172947 0.0039251 0.0023194	0.0372916	0.0235508 0.0137524 0.0062601 0.0058793 0.0138612
UNIT PARTICIPATION EXPENSE				0.0000637	0.0000637			0.0007458 0.0045049 0.0004033	0.0056540	0.0012604	0.009004	0.0009868	0.0009852	0.0006177	0.0096865	0.0157170 0.0197652	0.0354822	0.0314010 0.0157170 0.0093434 0.0067192 0.0158412
TRACT PARTICIPATION WT	*****	0.0257748		0.0484999		0.0257748		0.0372900 0.2252457 0.0403324		0.0403324 0.0534556	0.0372900	0.0315766	0.0201703	0.0398305		0.0314340 0.0395305 0.0314010 0.0372900		0.0314010 0.0314340 0.0257748 0.0201703 0.0484999
NET NRI	**********	0.015625		0.001149		0.015625		0.015000	•	0.023438	0.02448 0.023488 0.023488	0.023438	0.017774	0.013672	i P	0.437500 0.437500 0.125000 0.062197		0.750000 0.437500 0.242875 0.291484 0.285797
GROSS WI	**************			0.001313				0.020000		0.031250	0.031250	0.031250	0.020313	0.015625		0.500000		1.000000 0.500000 0.362500 0.33125 0.326625
adxi.	********	INC. ORR		W		ORR		ijij		보보!		! ! !		H		WI WI ORR		
TRACT OWNER		2 COLBERTSON MANAGEMENT IN	TOTAL	13 DELPHINE POPE KELLER	TOTAL	2 E A CULBERTSON	TOTAL	1 ELIZABETH ROBBINS 14 ELIZABETH ROBBINS 5 ELIZABETH ROBBINS	TOTAL	ESTATE OF A H PATE ESTATE OF A H PATE	* * * * * * * * * * * * * * * * * * *	ESTATE OF A W PATE	OF A M PATE	ESTATE OF A M PATE	TOTAL	10 EXXON 12 EXXON 11 EXXON	TOTAL	11 FARGO ENERGY 10 FARGO ENERGY 2 FARGO ENERGY 17 FARGO ENERGY 13 FARGO ENERGY 9 FARGO ENERGY

EH	OWNER	E	gross' Wi	net nri	TRACT PARTICIPATION WI	UNIT EXPENSE EXPENSE WI	UNIT TICIPATIO REVENUE NRI
ZZZZ		•	· ·		######################################	•	14444444444444444444444444444444444444
		IM IM IM	0.182500 0.187500 0.100000	0.151874 0.1451874 0.075000 0.069375	0.031556 0.0288136 0.0403324 0.0372900	0.0063942 0.0054025 0.0040332 0.0034493	0.0047957 0.0040519 0.0030249 0.0025870
	GO ENERGY	I I I	0.080000	0.060000	0.0534556 0.0303403	0.0042764	0.0032073
TOTAL 13 FRANC	TOTAL FRANCES HERNDON	Ř	0.001313	0.001149	0.0484999	0.1767372	0.1456329
intol	ij.					0.0000637	0.0000557
9 GLENN 198 GLENN 19A GLENN 8 GLENN 12 GLENN	IN BURTON IN BURTON IN BURTON IN BURTON IN BURTON		0.006475 0.006800 0.006800 0.006800	0.005688 0.005688 0.005688 0.005688	0.1210068 0.0365491 0.0365491 0.0360754	0.0008198 0.0002376 0.0002376 0.0002345	0.0007173 0.0002079 0.0002079 0.0002052 0.0001729
TOTAL	.					0.0017270	0.0015112
13 GREGORY TOTAL	CORY CHARLES GALLAGHER	I.M.	0.001313	0.001149 \	0.0484999	0.0000637	0.0000557
13 GREGORY TOTAL	ORY J GALLAGHER L	IM	0.063438	0.055507	0.0484999	0.0030767	0.0026921
2 HAROLD TOTAL	LD JONES L	ORR		0.008300	0.0257748		0.0002139
2 J A D TOTAL	J A DAVIDSON TOTAL	ORB		0.008291	0.0257748	•	0.0002137
16 JOHN 15 JOHN	EDDY	ORR		0.030000	0.0149248 0.0207836		0.0004477

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TRACT OWNER	TYPE	ROSS WI	net mri	UK (DNIT RICIPATION EXPENSE NI	UNIT PARTICIPATION REVENUE NRI
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13 KATHLERN GALLAGHER COOPER	T#	. 0.001313	0.001149	0.0484999	0.0000637	0:0000557
					0.0000637	0.0000557
2 XAMBLEEN LEWIN	ORR		0.015625	0.0257748		0.0004027
				٠.		0.0004027
20 MARATHON OIL 21 MARATHON OIL 14 MARATHON OIL	WI WI ORR	0.500000	0.437500 0.875000 0.175000	0.0662843 0.0164197 0.2252457	0.0331422	0.0289994 0.0143672 0.0394180
					0.0495619	0.0827846
13 MARGUERETTE GALLAGHER PRICE	II. A	0.001313	0.001149	0.0484999	0.0000637	0.0000557
TOTAL			•		0.0000637	0.0000557
PORSEDIL		0.030000	0.022500	0.0372900 0.2252457 0.0534556	0.0011187 0.0067574 0.0010691	0.0008390 0.0047390
1 MARSHALL LEAF 6 MARSHALL LEAF 15 MARSHALL LEAF	달달달	0.020000	0.015000 0.015000 0.011267	0.0149248 0.0303403 0.0207836	0.0002985 0.0006068 0.0002771	0.0002339 0.0004551 0.0002342
_			٠.		0.0101276	0.0072842
	H	0.052000	0.045500	0.0484999	0.0025220	0.0022068
MARCED V.		0.052000	0.045500	0.0365491	0.0019005	0.0016630
MARTEA V. MARTEA V. MARTEA V.	NI NI NI	0.052000 0.052000 0.040000	0.048900 0.048800 0.038000	0.0401/05 0.0360784 0.0395305	0.0010489 0.0018759 0.0015812	0.0009177 0.0016414 0.0013836
TOTAL					0.0173878	0.0152145
13 MARY B GALLAGHER	1 m	0.000328	0.000287	0.0484999	0.0000159	0.0000139
TOTAL					0.0000159	0.0000139

OWNER .	TIPE	GROSS WI	HET HRI	TEACT PARTICIPATION WI	UNIT PARTICIPATION EXPENSE WE	DAIT PARTICIPATION PER PER
MARY G HERNDON TOTAL	IA	.0.062125	**************************************	0.0484999	0.0030130	0.0026366
MARY BERNDON RAY TOTAL	¥	0.001313	0.001149	0.0484999	0.0000637	0.0000557
MARY KNIERIEN TAYLOR TOTAL	Ĭ.	0.001313	0.001149	0.0484999	0.0000637	0.0000557
MARY MARCARETTE POPE TOTAL	ij.	0.001313	0.001149	0.0484999	0.0000637	0.0000557
MICHAEL JOSEPH GALLAGHER Total	¥	0.001313	0.001149	0.0484999	0.0000637	0.0000557
NATALIE G POPE TOTAL	¥	0.064750	0.056656	0.0484999	0.0031403	0.0027479
NATALIE POPE Total	Ĩ.	0.001313	0.001149	0.0484999	0.0000637	0.0000557
NELSON BREINING NELSON BREINING NOIM	WI WI WI	0.050000 0.033333 0.020000	0.037500 0.028167 0.014400	0.0149248 0.0207836 0.0075426	0.0007462 0.0006928 0.0001509	0.0005597 0.0005854 0.0001086
OXY USA INC. OXY USA INC. OXY USA INC. TOTAL	IM IM IM IM	0.364821 0.350000 0.175000	0.119218 0.16125 0.151125 0.153125	0.1210068 0.0360754 0.0365491 0.0365491	0.041158 0.0126264 0.0061961 0.0061961	0.0386273 0.0110481 0.0055966 0.0655966
PENNZOIL	· H	0.35000	0.306250	0.0201703	0.0070596	0.0061772

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TRACT PARTICIPATION WI	0.0207836 0.0365491 0.0365491 0.0149248 0.0257748 0.062843		0.0484999	0.0257748	. 0484999	0.0484999	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0
NET NET	0.281657 0.118286 0.095000 0.041470 0.155000		0.001149	0.00291	0.001149	0.001149	0.50 0.40 0.40 0.66 0.66 0.66 0.66 0.66 0.6
CROSS WI	. 0.135134 0.135134 0.135134 0.135134		0.001313		0.001313	0.001313	0.545000 0.2850000 0.28570000 0.2857500 0.735000 0.735000 0.286500 0.286500 0.286500 0.286500 0.286500 0.286500 0.286500 0.286500
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TLC OWER	15 PERIZOIL 198 PERIZOIL 198 PERIZOIL 198 PERIZOIL 2 PERIZOIL 20 PERIZOIL	TGGE	13 Peter Gregory Herndon Total	2 R H HANKITTH TOTAL	13 RAYMOND STANLEY HENODON TOTAL	13 ROBERT C REPREDON TOTAL	4 SAGE ENERGY CORPANY 14 SAGE ENERGY CORPANY 6 SAGE ENERGY CORPANY 7 SAGE ENERGY CORPANY 16 SAGE ENERGY CORPANY 15 SAGE ENERGY CORPANY 19 SAGE ENERGY CORPANY 11 SAGE ENERGY CORPANY 12 SAGE ENERGY CORPANY 12 SAGE ENERGY CORPANY 12 SAGE ENERGY CORPANY 13 SAGE ENERGY CORPANY 13 SAGE ENERGY CORPANY 13 SAGE ENERGY CORPANY 14 SAGE ENERGY CORPANY 15 SAGE ENERGY CORPANY 17 SAGE ENERGY CORPANY 18 SAGE ENERGY CORPANY

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UNII PARTICIPATION REVENUE NRI	0.000000000000000000000000000000000000	0.1250000	0.0000279	0.0000557	0.0012992 0.0006896 0.0007317 0.0012824	0.0000557	0.0260995 0.00127979 0.0012733 0.0319440	0.0004027	0.0007173
UNIT PARTICIPATION EXPENSE WI			0.0000318	0.0000637	0.00114848 0.0008660 0.0008660 0.0014656	0.0000637	0.031421 0.0043972 0.0014552 0.0014552		0.0008198
TRACT PARTICIPATION WI	0.0282124 0.034280 0.034280 0.0362480 0.0362481 0.036489 0.036489	n	0.0484999	0.0484999	0.0365491 0.0149248 0.0207836 0.0360754	0.0484999	0.0662843 0.0257748 0.0365491 0.0365491	0.0257748	0.1210068
HZT KRI	0.125000 0.125000 0.125000 0.125000 0.125000 0.125000		0.000574	0.001149	0.015546 0.015546 0.0155475 0155475	0.001149	0.437500 0.127950 0.034839 0.034839	0.015625	0.005928
GROSS WI			0.000656	0.001313	0.040625 0.062500 0.041667 0.040625	0.001313	0.500000 0.170600 0.039816 0.039816		0.006775
77.F	보보보보보보보보		IA RIS	II.		IH	HHHH	ORR	Z#
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TOTAL			•		•	0.0015295	0.0013383
13 WILLIAM G POPE JR.	OPE JR.	Ħ	0.001313	0.001149	0.0484999	0.0000637	0.0000537
TOTAL			•	٠	. A	0.0000637	0.0000557
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UNIT OPERATING AGREEMENT NORTH VACUUM (AMO) NORTH UNIT LEA COUNTY, NEW MEXICO

BEFORE EXAMINER

OIL CONSERVATION DIVISION

UNIT OPERATING AGREEMENT NORTH VACUUM (ABO) NORTH UNIT LEA COUNTY, NEW MEXICO

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UNIT OPERATING AGREEMENT - NORTH VACUUM (ABO) NORTH UNIT LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the _____ day of ______, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH;

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an agreement entitled, "Unit Agreement, North Vacuum (Abo) North Unit, Lea County, New Mexico," herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by Working Interest Owners pertaining to the development and operation of the Unit Area as therein defined;

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

ARTICLE 1

CONFIRMATION OF UNIT AGREEMENT AND ADOPTION OF DEFINITIONS

- 1.1 Confirmation of Unit Agreement. The Unit Agreement and all exhibits attached thereto or any revisions thereof are hereby confirmed and by reference made a part of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern, except as otherwise provided in Article 12 hereof.
- 1.2 Adoption of Definitions. The definitions in the Unit Agreement and the following additional definitions are adopted for all purposes of this Agreement:
 - (a) "Unit Operations" is defined as all operations conducted by Working Interest Owners or Unit Operator pursuant to this Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.
 - (b) "Unit Equipment" is defined as all personal property, lease and well equipment, plants, and other

facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

- (c) "Unit Expense" is defined as all cost, expense or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement as well as all necessary pre-unitization costs or expenses incurred for or on account of Unit Operations.
- (d) "Tract Operator" is defined as the respective operator of each tract within the Unit Area prior to unitization.

ARTICLE 2

EXHIBITS

- 2.1 Exhibits. The following exhibits are incorporated herein by reference:
 - 2.1.1 Exhibits "A", "B" and "C" of the Unit Agreement.
 - 2.1.2 Exhibit "D", attached hereto, is a schedule showing the Unit Participation of each Working Interest Owner. Exhibit "D", or a revision thereof, shall not be conclusive as to the information therein, except it may be used to show the Unit Participation of the Working Interest Owners for purposes of this Agreement until shown to be in error or is revised as herein authorized.
 - 2.1.3 <u>Exhibit "E"</u>, attached hereto, which is the Accounting Procedure applicable to Unit Operations.

 If there is any conflict between this Agreement and Exhibit "E", this Agreement shall govern.
 - 2.1.4 Exhibit "F", attached hereto, which contains insurance provisions applicable to Unit Operations.
- 2.2 Revision of Exhibits. Whenever Exhibit "B" or Exhibit "C" is revised, Exhibit "D" shall be revised accordingly and shall be effective as of the same date. Unit Operator shall also revise Exhibit "D" from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.
- 2.3 Reference to Exhibits. When reference is made herein to an exhibit, it is to the exhibit as originally attached or, if revised, to

ARTICLE 3

SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

- 3.1 Overall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Agreement and the Unit Agreement. In the exercise of such authority, each Working Interest 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 <u>Specific Authorities and Duties.</u> The matters with respect to which the 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 any type of pressure maintenance, secondary recovery, or other recovery program to be employed.
 - 3.2.2 <u>Drilling of Wells</u>. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.
 - 3.2.3 Well Recompletion and Change of Status. The recompletion, abandonment or permanent change of status of any well, or the use of any well for injection for other purposes.
 - 3.2.4 Expenditures. The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00), subject, however, to the provisions of Article 7.9 hereof; provided, that approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefore, and for completing, testing and equipping the same, including necessary flow lines, separators and lease tankage.
 - 3.2.5 <u>Disposition of Unit Equipment</u>. The Unit Operator shall have the right to sell or otherwise dispose of any item of surplus Unit Equipment.
 - 3.2.6 Appearance Before a Court or Regulatory Agency.

 The designating of Unit Operator to appear before any court

or regulatory agency in matters pertaining to Unit Operations; provided, however, that Working Interest Owners shall in the event Unit Operator is unable to appear designate an alternate representative; and provided, further, that such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

- 3.2.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; provided that, the audits shall:
- (a) not be conducted more than once each year except upon the resignation or removal of Unit Operator and;
- (b) be made upon the approval of the Owner or Owners of a majority of Working Interest other than that of Unit Operator, at the expense of all Working Interest Owners other than Unit Operator, or;
- (c) be made at the expense of those Working Interest owners requesting such audit if owners of less than a majority of Working Interest, other than that of Unit Operator, request such audit, and;
- (d) be made upon not less than thirty (30) days written notice to Unit Operator.
- 3.2.8 <u>Inventories.</u> The taking of periodic inventories under the terms of Exhibit "E".
- 3.2.9 <u>Technical Services</u>. The authorizing of charges to the Joint Account for services by consultants or Unit Operator's technical personnel in excess of \$10,000.00 and not covered by the overhead charges provided by Exhibit "E".
- 3.2.10 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.
- 3.2.11 The removal of Unit Operator and the selection of a successor.
 - 3.2.12 The enlargement of the Unit Area.
 - 3.2.13 The adjustment and readjustment of investments.

- 3.2.14 The termination of the Unit Agreement.
- 3.2.15 Border Line Agreements.

ARTICLE 4

MANNER OF EXERCISING SUPERVISION

- 4.1 <u>Designation of Representatives.</u> Not later than thirty (30) days after the effective date hereof, each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.
- 4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of two (2) or more Working Interest Owners having a total Unit Participation of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) day's advance written notice, and an agenda for the meeting shall be 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 <u>Voting Procedure.</u> Working Interest Owners shall decide all matters coming before them as follows:
 - 4.3.1 <u>Voting Interest</u>. Each Working Interest Owner shall have a voting interest equal to its Unit Participation in effect at the time of the vote.
 - 4.3.2 <u>Vote Required Generally.</u> Unless otherwise provided herein or in the Unit Agreement, all matters shall be decided by an affirmative vote of sixty-five percent (65%) or more of the voting interest; provided that, should any one Working Interest Owner have more than sixty-five percent (65%) voting interest, its vote must be supported by the vote of two or more Working Interest Owners having a combined voting interest of at least five percent (5%); provided, however, that if any Working Interest Owner has a voting interest of thirty-five percent (35%) or more, its negative vote or failure to vote

shall not serve to defeat any motion, and such motion shall pass if approved by a majority voting interest, unless such negatively voting or non-voting Working Interest Owner is supported by the vote of two or more Working Interest Owners having a combined voting interest of at least five (5%), and such affirmative vote shall be binding upon all parties.

- 4.3.3 <u>Vote Required For Enlargement</u>. An enlargement of the Unit Area as provided in Section 4 of the Unit Agreement shall require an affirmative vote by the Working Interest Owners having a combined Unit Participation of ninety-percent (90%) or more.
- 4.3.4 <u>Vote at Meeting by Nonattending Working Interest</u>

 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 the Unit Operator if its vote is received prior to the actual vote at the meeting, provided the agenda items are not amended.
- 4.3.5 <u>Poll Votes.</u> Working Interest Owners may vote on and decide, by letter or telegram, any matter submitted in writing to Working Interest Owners. If a meeting is not requested, as provided in Article 4.2, within seven (7) days after a written proposal is sent to Working Interest Owners, the vote taken by letter or telegram shall become final. Unit Operator will give prompt notice of the results of such vote to all Working Interest Owners.

ARTICLE 5

INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

- 5.1 <u>Reservation of Rights.</u> Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this Agreement and the Unit Agreement.
- 5.2 <u>Specific Rights.</u> 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 who requests the information.

ARTICLE 6

UNIT OPERATOR

- 6.1 <u>Initial Unit Operator</u>. Sage Energy Company is hereby designated as Unit Operator.
- 6.2 <u>Resignation or Removal and Selection of Successor.</u> The resignation or removal of Unit Operator and the selection of a successor shall be governed by the provisions of the Unit Agreement.

 ARTICLE 7

AUTHORITIES AND DUTIES OF UNIT OPERATOR

- 7.1 Exclusive Right to Operate Unit. Subject to the provisions of this Agreement and to the orders, directions and limitations rightfully given or imposed by Working Interest Owners, Unit Operator shall have the exclusive right and shall be obligated to develop and operate the Unit Area for the production of Unitized Substances.
- 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 judgement, 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 the Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except the lien and security interest of Unit Operator and Working Interest Owners granted hereunder.

- 7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor and compensation shall be determined by Unit Operator. Such employees shall be 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 to Working Interest Owners periodic reports of Unit Operations.
- 7.7 Reports of Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.
- 7.8 Engineering and Geological Information. Unit Operator shall furnish to each Working Interest Owner, upon its 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. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.
- 7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the usual prevailing rate in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.
- 7.11 Border Agreements. The Unit Operator, with the approval by formal vote of sixty-five (65%) or more of the voting interest, may enter into a border protection agreement or agreements with Working Interest Owners of the adjacent lands along the exterior boundary of the Unit Area with respect to any cooperative operations in the border area for the proper protection of the parties and interests.

ARTICLE 8

TAXES

- 8.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the Joint Account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of one-eighth (1/8) royalty, such Working Interest Owners shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes paid resulting therefrom. Any Working Interest Owner dissatisfied with any assessment of its interest in real or personal property shall have the right, at its own expense, and after due notice to the Operator, to protest and resist any such assessment.
- 8.2 Other Taxes. Unit Operator shall pay or cause to be paid on behalf of each Working Interest Owners all production, severance, gathering, and other taxes imposed upon or in respect of the production or handling of its share of Unitized Substances.

ARTICLE 9

INSURANCE

- 9.1 <u>Insurance</u>. Unit Operator, with respect to Unit Operations and at Unit Expense, shall do the following:
 - 9.1.1 Comply with the Workmen's Compensation Act of the State of New Mexico.
 - 9.1.2 Carry Employer's Liability and other insurance as required by the laws of the State of New Mexico.
 - 9.1.3 Provide other insurance as set forth in Exhibit "F".

ARTICLE 10

ADJUSTMENT OF INVESTMENTS

10.1 <u>Personal Property Taken Over.</u> Upon the effective date hereof, Working Interest Owners shall deliver to Unit Operator the

following:

- 10.1.1 Wells. All wells completed in the Unitized Formation, together with the casing therein.
- 10.1.2 Well and Lease Equipment. The casing and tubing in each such well, all subsurface equipment therein including sucker rods and pumps, the wellhead connections thereon, and all other well and lease equipment that is used in the operation of such wells which Unit Operator determines is necessary or desirable for conducting Unit Operations. Unit Operator shall have up to six (6) months after the effective date in which to make such determination, and all such property that is determined to be surplus shall be returned in the same condition less usual depreciation to each Tract Operator who was responsible for delivery same to Unit Operator. There shall be no charge to the Unit for the use of any such surplus property during this six (6) month period. The individual Operators shall have ninety (90) days from the date of notification in which to remove the surplus property returned to them. Surplus property shall then be disposed of by each Tract Operator in accordance with the respective Joint Operating Agreement which governs each Tract. If the surplus property has not been removed from the Unit Area within the ninety (90) day period, then Unit Operator shall have the right to dispose of the property in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Any proceeds received upon disposition, in excess of removal and clean up costs, will be disbursed to the Working Interest Owners in the specific Tract. Any costs in excess of proceeds received upon disposition will be charged to the Working Interest Owners in the specific Tract.
- 10.1.3 Records. A copy of all production and well records that pertain to such wells.
- 10.2 Inventory and Evaluation of Personal Property. The Working

Interest Owners shall appoint an inventory committee which shall, as of the effective date hereof or as soon thereafter as feasible, cause to be taken under the supervision of the Unit Operator at Unit Expense, joint physical inventories of lease and well equipment within the Unit Area, which inventories shall be used as a basis for determining the controllable items of equipment to be taken over by the Unit Operator hereunder. In the absence of an inventory committee Unit Operator shall engage at Unit Expense a qualified independent firm to serve in place of an inventory committee. Such inventories shall include and be limited to those items of equipment normally considered controllable bу operators of oil and gas properties except that certain items of equipment normally considered noncontrollable, such as sucker rods, subsurface pumps and other items as determined by the Working Interest Owners may be included in the inventories in order to insure a more equitable adjustment of investment. All other noncontrollable items of lease and well equipment installed within the Unit Area, although excluded from the inventories, which the Unit Operator decides are necessary and usable in Unit Operations, shall nevertheless be taken over by the Unit Operator. After the determination by Unit Operator as to surplus property, such inventories covering equipment taken over by the Unit Operator under Article 10.1.2 and retained for Unit Operations, shall be priced in accordance with the part hereof, or at an appraised value as determined by the inventory committee; such pricing shall be performed under the supervision of, by the personnel of, and in the offices of the Unit Operator, with the inventory committee furnishing such additional pricing help as may be available and necessary. Casing shall be included in the inventory for record purposes but shall be excluded from pricing and investment adjustment.

10.3 <u>Investment Adjustment.</u> Upon approval by Working Interest Owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value, as determined in accordance with Article 10.2 above, of its interest in all personal property taken over by Unit Operator under Article 10.1.2, and charged with an amount equal to that obtained by multiplying the total value of all such personal property taken over by Unit Operator under Article 10.1.2 by such

Working Interest Owner's Unit Participation, as shown on Exhibit "D". If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

- 10.4 General Facilities. The acquisition of general facilities which service more than one lease and which are necessary for Unit Operations shall be by negotiation between the owners thereof and Unit Operator, subject to the approval of Working Interest Owners. There shall be no adjustment for lease roads or appurtenances thereto. General facilities which are owned one-hundred percent (100%) by the Unit Operator shall be acquired by negotiation between the Unit Operator and the Working Interest Owners.
- and Facilities. Each Working Interest Owner hereby exchanges, and agrees to exchange, its interest in all of the personal property and facilities described in Article 10.1.2 above for its proportionate interest, as shown on Exhibit D, from and after the time the same may hereafter become effective, in all such personal property and facilities described in Article 10.1.2. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement.

ARTICLE 11

DEVELOPMENT AND OPERATING COSTS

11.1 <u>Basis of Charge to Working Interest Owners.</u> Unit Operator initially shall pay and discharge all costs and expenses incurred in Unit Operation including all pre-unitization expenses required for organization and/or formation of the unit. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense in proportion to the respective Unit Participation of the parties hereto.

All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit "E".

- 11.2 <u>Budgets.</u> Before or as soon as practical after the Effective Date hereof, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year, and, on or before, the first day of each September thereafter, shall prepare such a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall promptly be furnished to each Working Interest Owner.
- 11.3 Advance Billings. Unit Operator shall have the right without prejudice to any other rights or remedies, at its option to require Working Interest Owners to advance their respective proportions of such costs and expenses by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate of such costs and expenses for the succeeding two months with a request for payment in advance. If such advance is requested as to operating costs and expenses, the Working Interest Owners' proportionate shares thereof shall be deemed to be the same as for the preceding month, with an adjustment to be made on the basis of their actual proportionate shares thereof as determined at the end of the period for which such advance was requested. Within fifteen (15) days thereafter, each Working Interest Owner shall pay to Unit Operator its proportionate part of such estimate. Adjustment between estimates and the actual costs shall be made by Unit Operator at the close of each calendar month, and the accounts of the Working Interest Owners shall be adjusted accordingly.
- 11.4 <u>Commingling of Funds</u>. No funds received by Unit Operator under this agreement need be segregated or maintained by it as separate funds, but may be commingled with its own funds.
- 11.5 Lien of Unit Operator. Each Working Interest Owner grants to Unit Operator a lien upon its Working Interest in each Tract, its share of Unitized Substances when produced, and its interest in all Unit Equipment, as security for payment of its share of Unit Expense to the full extent allowed by State and Federal Statues, together with interest

thereon at the prime rate charged by Texas Commerce Bank of San Antonio plus two percent (2%) per annum. To the extent that Unit Operator has a security interest under the Uniform Commercial Code, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. Unit Operator shall have the right to bring suit to enforce · collection of such indebtedness with or without seeking foreclosure of the lien. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, 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 by such Working Interest Owner, plus interest as aforesaid, has Each purchaser shall be entitled to rely upon Unit been paid. Operator's written statement concerning the amount of any default. Unit Operator grants a like lien and security interest to the Working Interest Owners.

- 11.6 <u>Unpaid Unit Expense</u>. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, the non-defaulting Interest Owners, shall, upon request by Unit Operator, pay their proportionate part of the unpaid share of Unit Expense of the defaulting Working Interest Owner. The non-defaulting Working Interest Owners that pay their share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by the Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collected from the defaulting Working Interest Owner. Any non-defaulting Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expenses shall be subrogated to the lien and rights herein granted Unit Operator.
- 11.7 Uncommitted Royalty. Should an owner of a Royalty Interest in any Tract fail to become a party to the Unit Agreement, and, as a result thereof, the actual Royalty Interest payments with respect to such Tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners, in proportion to their

respective Unit Participations at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of the Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unititzed Substances produced from the Tract. Such adjustments shall be made by charges and credits to the Joint Account.

11.8 Rentals and Minimum Royalties. The Working Interest Owner in each Tract shall, at its own expense, pay any and all rentals required to continue its lease in force, and any and all minimum royalties payable thereunder. Upon request of Unit Operator, each such Working Interest Owner shall furnish Unit Operator satisfactory evidence as to the payment of each such rental not less than thirty (30) days prior to the rental payment date and as to the payment of such minimum royalty payment when same is due. Unit Operator shall have the right, but shall be under no obligation, to pay any and all such rentals and minimum royalties on behalf of each such Working Interest Owner, and any and all amounts so paid by Unit Operator shall be charged solely to the account of such Working Interest Owner. In the event the Working Interest Owner in any Tract fails to pay any rental required to continue its lease in force as to such Tract or any minimum royalties payable under such lease and as a result said lease terminates or is cancelled as to such Tract, the termination or cancellation of said lease as to such Tract shall be considered for all purposes of this agreement and the Unit Agreement to be a failure of title to said lease for reasons other than Unit Operations.

ARTICLE 12

OPERATION OF NON-UNITIZED FORMATIONS

12.1 Right to Operate in Non-Unitized Formations. Any Working Interest Owner that now has, or hereafter acquires the right to drill for and produce oil, gas or other minerals, from a formation underlying the Unit Area other than the Unitized Substances, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising said right, however, such Working Interest Owner shall exercise every reasonable precaution to prevent unreasonable

interference with Unit Operations hereunder. No Working Interest Owner (other than Unit Operator) shall produce Unitized Formation through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected during drilling operations by a drilling fluid satisfactory to Unit Operator, and following drilling operations, the Unitized Formation shall be protected by cement or by casing and cement and shall otherwise be protected in such a manner that the Unitized Formation and the production of Unitized Substances will not be adversely affected.

12.2 <u>Multiple Completions</u>. No well now or hereafter completed in Unitized Formation shall ever be completed as a multiple completion of any other formation or formations unless such multiple completion and the subsequent handling of the multiple completion is approved by Working Interest Owners in accordance with Arcticle 4.3 of this Agreement.

ARTICLE 13

TITLES

Interest Warranty and Indemnity. Each Working represents and warrants that it is the owner of the respective working interests set forth opposite its name in Exhibit "C" of the Unit Agreement and hereby agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations; provided that, such indemnity shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the Interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this agreement is concerned, as of 7:00 a.m. the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of title failure.

ARTICLE 14

LIABILITY, CLAIMS AND SUITS

- 14.1 <u>Individual Liability</u>. The duties, obligations and liabilities or Working Interest Owners shall be several and not joint or collective; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, association or trust among Working Interest Owners.
- 14.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Fifteen Thousand Dollars (\$15,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above specified amount, Unit Operator shall notify Working Interest Owners and shall continue handling the claim or suit unless such authority is expressly denied by Working Interest Owners after notification. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

ARTICLE 15

INTERNAL REVENUE PROVISION

15.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such

evidence of this election as may be required by the Secretary of the Treasury of the United States or by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements and the data required by the Internal Revenue Service or as may be necessary to evidence this election. hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State in which the property covered by this Agreement is located, or any future income tax laws of the United States, contain, or shall hereafter contain, provisions similar to those contained 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 said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of partnership taxable income.

ARTICLE 16

NOTICES

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

ARTICLE 17

WITHDRAWAL OF WORKING INTEREST OWNER

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

delivery of the instrument of transfer; however, the tender has to be accepted unless Working Interest Owners decide within ninety (90) days to terminate the Unit. The interest transferred shall be owned by the transferees in proportion to their respective Unit Participations then in effect. The transferrees, in proportion to the respective interest so acquired, shall pay transferor for its interest in Unit Equipment the net salvage value thereof as determined by Working Interest Owners. In the event such withdrawing party's interest in the aforesaid fair salvage value after deducting the estimated costs of salvaging same is less than the withdrawing party's share of the estimated costs of plugging and abandoning the wells than being used or held for Unit Operations, then the with drawing party, as condition precedent to its withdrawal, shall pay in cash to the party 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 Agreement shall cease insofar as they existed by virtue of the interest transferred.

17.2 <u>Limitation on Withdrawal</u>. Notwithstanding anything set in Article 17.1, 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-eight (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 18

INTEREST CARVED OUT BY WORKING INTEREST OWNER

18.1 Carved-out Interest Subject to This Agreement. In the event any Working Interest Owner shall, after this Agreement becomes effective or after executing this Agreement, whichever is earlier, create an overriding royalty, production payment, net profits, or interest, or any other interest out of its Working Interest then subject to this Agreement, such carved-out interest shall be subject to the terms and provisions of this Agreement, specifically including, but without limitation, Article 11.5 hereof, entitled "Lien of Operator". In the event the Working Interest Owner creating such carved-out interest (i) fails to pay any costs or expenses chargeable to such Working Interest Owner under this Agreement and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (11) withdraws from this agreement under the terms and provisions of Article 17 hereof, the carved-out interest shall be chargeable with a prorata portion of all costs and expenses incurred hereunder and Unit Operator shall have the right to enforce against such carved-out interest the lien and all other rights granted in said Article 11.5 for the purpose of collecting the costs and expenses chargeable to said carved-out interest.

ARTICLE 19

ABANDONMENT OF WELLS

19.1 Rights of Former Owners. If Working Interest Owners decide to abandon permanently any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit

Operator, for credit to the Joint Account, the amount estimated by Working Interest Owners to be the salvage value of the casing and equipment in and on the well, except the casing therein if contributed by such Working Interest Owners of the Tract under Article 10.1.1, less salvage costs. The Working Interest Owners of the Tract, by taking over the well, agree to seal off effectively and protect the Unitized Formation, and upon abandonment to plug the well in compliance with applicable laws and regulations.

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

ARTICLE 20

EFFECTIVE DATE AND TERM

- 20.1 Effective Date. This agreement shall be binding on each party who executes or ratifies the same as of the date of execution or ratification by such party, but shall not become effective for the purpose of conducting Unit Operations hereunder until the effective date of said Unit Agreement, which date shall also be the effective date of this Agreement.
- 20.2 Term. This Agreement shall continue in full force and effect so long as the Unit Agreement remains in force and effect, and thereafter until (a) all Unit Wells have been abandoned and plugged or turned over to the Working Interest Owners in accordance with Article 21, (b) all Unit Equipment and real property acquired for the Joint Account have been disposed of by the Unit Operator in accordance with the instructions of the Working Interest Owners, and (c) there has been a final accounting.

ARTICLE 21

ABANDONMENT OF OPERATIONS

- 21.1 <u>Termination</u>. Upon termination of the Unit Agreement, the following will occur:
 - 21.1.1 <u>Oil and Gas Rights.</u> The 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.

- 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 of the casing and equipment in and on the wells taken over, except the casing therein if contributed by such Working Interest Owners under Article 10.1.1 less salvage costs as estimated by Working Interest Owners, and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.
- 21.1.3 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.
- 21.1.4 Cost of Salvaging & Distribution of Assets.

 Working Interest Owners shall share the cost of salvaging and abandonment, as well as distribution of assets and properties used in Unit Operation, in proportion to their respective Unit Participations.

ARTICLE 22

EXECUTION

22.1 Execution by Separate Counterparts or Ratifications. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all parties to the aggregate counterparts had signed the same instrument, or may be ratified by a separate instrument in writing referring to this Agreement, each such ratification having the force and effect of an executed counterpart hereof and in effect incorporating by reference all of the provisions hereof.

ARTICLE 23

SUCCESSORS AND ASSIGNS

23.1 Successors and Assigns. This agreement shall constitute a

covenant running with the lands and leases covered hereby, and shall be binding upon and inure to the benefit of the heirs, devisees, legal representatives, successors, and assigns of the parties hereto, respectively. Each assignment or other transfer of Working Interest by any party hereto shall be made expressly subject to this Agreement and shall provide expressly that the transferee shall assume and be bound by all obligations accruing hereunder in respect to the Working Interest transferred from and after the assignment or other transfer.

- 23.2 <u>Notice of Transfer.</u> An assignment or other transfer of Working Interest that is subject to this Agreement shall not be binding upon Unit Operator and shall not relieve the transferor of obligations accruing hereunder, until the first day of the calendar month next succeeding receipt by Unit Operator of written notice of such assignment or transfer accompanied by certified copy of the recorded instrument evidencing the transfer.
- 23.3 <u>Six or More Owners.</u> In the event that any Tract or Tracts subject to this Agreement is owned or hereafter becomes owned by six (6) or more Working Interest Owners, then, in such event, said Working Interest Owners agree, upon request, to furnish Unit Operator with a recordable instrument executed by all such Working Interest Owners designating an agent to receive and be responsible for all costs, expenses, and credits related to Unit Operations and attributable to all such Working Interest Owners.

ARTICLE 24

GOVERNMENTAL REGULATIONS

24.1 Governmental Regulations. Working Interest Owners agree to release Unit Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to, or resulting directly or indirectly from Unit Operator's interpretation or application of rules, regulations, or orders of any governmental agency or predecessor agencies to the extent Unit Operator's interpretation or application of such rules, rulings, regulations, or orders were made in good faith. Working Interst Owners further agree to reimburse Unit Operator for their proportionate share of any amounts Unit Operator may be required to refund, rebate or pay as a result of an incorrect interpretation or

application of the above noted rules, rulings, regulations, or orders, together with their proportionate part of interest and penalties owing by Unit Operator as a result of such incorrect interpretation or application of such rules, ruling, regulations or orders.

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

	UNIT OPERATOR A	AND WORKING INTEREST OWNER	
ATTEST:		SAGE ENERGY COMPANY	
			•
		Ву:	
			
	∽		
Date Executed:			

WORKING INTEREST OWNERS

Witness:	
Date Executed:	Brian Burns
Witness:	Charles Robbins
Date Executed:	Charles Robbins
Witness:	Elizabeth Robbins
Date Executed:	DIIDOCCH RODZING
	ESTATE OF A.M. PATE, JR.
	·
Witness:	BY:
Date Executed:	
	EXXON COMPANY, U.S.A.
•	EARON CONTANT, U.S.A.
Attest:	BY:
Date Executed:	
	FARGO ENERGY CORPORATION
Attest:	BY: Ron Amini, President
Data Francisco	non language recorded
Date Executed:	
Witness:	
	W. Glenn Burton
Date Executed:	
	MARATHON OIL COMPANY
Attest:	BY:
Date Executd:	
Witness:	
	Marshall Leaf
Date Executed:	
Witness:	Martha V. Leonard
Date Executed:	

Witness:	
	Nelson Breining
Date Executed:	,1
	OXY U.S.A., INC.
Attest:	BY:
Date Executed:	
	PENNZOIL EXPLORATION & PRODUCTION
Attest:	BY:
Date Executed:	
Witness:	Sebert L. Pate
Date Executed:	
r .	SECA, LTD.
Witness:	BY:
Date Executed:	
	UNIVERSITY OIL COMPANY
Attest:	BY:
Date Executed:	
	WAINOCO OIL AND GAS COMPANY
Attest:	BY:
Date Executed:	
	WESTERN LEASING COMPANY
Attest:	BY:

Date Executed:

Gregory J. Gallagher, Individually and as Attorney-in-Fact for Marguerite G. Price, Mary Margaret Pope, Mary Catherine Taylor, Charles Raymond Gallagher, III, Stephen Lawrence Knieriem, Christopher W. Knieriem, Gregory Charles Gallagher, Michael J. Gallagher, Kathleen Marie Cooper, Natalie Pope, William G. Pope, Jr., and Delphine Pope Keller

Witness Date Executed:	Gregory J. Gallagher
Frances Herndon, Peter G	ally and as Attorney-in-Fact for . Herndon, Raymond Stanley Herndon, Mary Herndon R ay and Veronica Herndon
Witness Date Executed:	Rob in Herndon
Mary B. Gallagher, Mary	lividually and as Attorney-in-Fact for G. Herndon, Charleen G. Knieriem, Natalio I Gallagher, Susan Gallagher Grey and er
Witness	C.R. Gallagher, Jr.

EXHIBIT "A"

UNIT OPERATING AGREEMENT NORTH VACUUM (ABO) NORTH UNIT LEA COUNTY, NEW MEXICO

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EXHIBIT "B"
, OPERATING AGREEMENT
NORTH VACUUM (ABO) NORTH UNIT

	73.5% 9.25% 3.0% 3.125% 3.125% 2.0% 4.0%	73.5% 9.25% 3.0% 3.125% 3.125% 2.0% 4.0%
Working Interest and Percentage	Sage Energy Fargo Energy Marshall Leaf Sebert Pate Est. of A.M. Pate Charles Robbins Margaret Robbins Seca, Ltd.	Sage Energy Fargo Energy Marshall Leaf Sebert Pate Est. of A.M. Pate Charles Robbins Margaret Robbins Seca, Ltd.
Overriding Royalty and Percentage	Exxon 6.2197% Corporation	Sage 6.2803
O % 4	<u>6</u> 3	ഗ്ഗ
Lessee of Record	Exxon Corporation	Shell Western E & P Inc.
yalty ge	12.5%	12.5%
Basic Royalty and Percentage	State Stae Sta	State
Name or No. & exp. date of Lease	New Mexico St. B-936 Exp. 11-22-33	St. K-4606-1 Exp. 12-15-69
Number of Acres	07	40.39
Description of Land	SE/4NW/4 1-17S-34E	Lot 3 1-17S-34E
Tract Number & Participation Factor in Unit	1) 3.72900	

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EXHIBIT "B"
OPERATING AGREEMENT
NORIH VACUUM (ABO) NORIH UNII

Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage		Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage	
2) 2.57748	S/2SW/4 1-17S-34E	80.00	New Mexico ST, E-5765-5 Exp, 11-10-56	State 1	12.5%	Pennzoil Exploration & Production Co.	Culbertson Management, Inc Kathleen Irwin J.A. Davidson R.H. Hannifan Pennzoil Harold Jones Scope Industries Wallace Irwin Trust E.A. Culbertson Test. Trust	1.5625% 1.5625% 1.5625% 4.1470% 83% 6.25% 1.5625%	Sage Energy Fargo Energy Wainoco Brian Burns Seca Ltd.	41.69% 36.25% 17.06% 3.00%
3) 2.88135	N/2SE/4 1-17S-34E	80.0	New Mexico ST. K-4606-1 Exp. 12-15-69	State 1	12.5%	Shell Western E & P Inc.	Sage Energy	12.5%	Sage Energy Fargo Energy Brian Burns Estate of A.M. Pate Jr. Sebert L. Pate	70.0% -18.75% 5.0% 3.125%
1) 3.15766	N/2SW/4 1-17S-34E	80.0	New Mexico ST. K-4606-1 Exp. 12-15-69	State	12.5%	Shell Western E & P Inc.	Sage Energy	12.5%	Sage Energy Fargo Energy Seca Ltd. Estate of A.M. Pate Jr. Sebert L. Pate	67.5% _ 20.25% 6.0% 3.125% 3.125%

OPERATING AGREEMENT
NORTH VACUUM (ABO) NORTH UNIT

	69.75% 10.0 12.0 1.0 1.0 3.125	85.75% 6.0 3.125 3.125 2.0	82.75% 8.00 3.125 3.125 2.0 1.0	27.4625% 35.0 5.2 .65 .65 26.975 4.0625
Working Interest and Percentage	Sage Energy 69 Fargo Energy 10 Seca Ltd. 12 Elizabeth Robbins Charles Robbins Estate of A.M. Pate Jr. Sebert L. Pate	Sage Energy 85 Fargo Energy 6 Estate of 3 A.M. Pate Jr. Sebert L. Pate 3 Marshall Leaf 2	Sage Energy 82 Fargo Energy 82 Estate of A.M. Pate Jr. Sebert L. Pate 3 Marshall Leaf 2	Sage Energy 27 Oxy USA Inc. 35 Martha V. Leonard 5 Western Leasing Glenn Burton Fargo Energy 26 University Oil 4
	12.5%	12.5%	12.5%	
Overriding Royalty and Percentage	Sage Energy	Sage Energy	Sage Energy	
Lessee of Record	Shell Western E & P Inc.	Shell Western E & P Inc.	Shell Western E & P Inc.	Yates Drilling Company
lty	12.5%	12.5%	12.5%	12.5%
Basic Royalty and Percentage	S tate	State	State	State
Name or No. & exp. date of Lease	New Mexico St. K-4606-1 Exp. 12-15-69	New Mexico St. K-4606-1 Exp. 12-15-69	New Mexico St. K-4606-1 Exp. 12-15-69	New Mexico St. E-754-5 Exp. 2-11-51
Number of Acres	80	40.08	0.08	0 7
Description of Land	S/2SE/4 1-17S-34E	Lots 1 & 2 1-17S-34E	S/2NE/4 1-17S-34E	SE/4SE/4 2-17S-34E
Tract Number & Participation Factor in Unit	5) 4.03324	6) 3.03403	7) 5.34556	8) 3.60754

DPERATING AGREEMENT NORTH VACUUM (ABO) NORTH UNIT

	28.62542 36.4821 28.1173 .6775 5.4202	50.0	100.0	19.75 50.0 20.625 4.0 1.5625 1.5625 5.5
Working Interest and Percentage	Sage Energy Oxy USA Inc. Fargo Energy Western Leasing Martha V. Leonard Glenn Burton	Exxon Corp. Fargo Energy	Fargo Energy 10	Sage Energy Exxon Fargo Energy Martha V. Leonard Estate of A.M. Pate, Jr. Sebert L. Pate Charles Robbins Seca Ltd. Glenn Burton
•			12.5%	
Overriding Royalty and Percentage			Exxon Corporation	
Lessee of Record	Yates Drilling Co.	Exxon Corporation	Exxon Corporation	Exxon Corporation
	12.5%	12.5%	12.5%	12.5%
Basic Royalty and Percentage	State	State	State .	S tate te
Name or No. & exp. date of Lease	New Mexico St. E-754-5 Exp. 2-11-51	New Mexico St. B-936 Exp. 11-22-33	New Mexico St. B-936 Exp. 11-22-33	New Mexico St. B-936 Exp. 11-22-33
Number of Acres	40	40.54	07	160
Description of Land	SW/4SE/4 2-17S-34E	Lot 4 1-17S-34E	SW/4NW/4 1-17S-34E	SE/4 36-16S-34E
Tract Number & Participation Factor in Unit	9) 12.10068	10) 3.14340	11) 3.14010	12) 3.95305

EXHIBIT "B"
OPERATING AGREEMENT
NORTH VACUUM (ABO) NORTH UNIT

Working Interest and Percentage	See List	Sage Energy 91.0% Marshall Leaf 3.0 Charles Robbins 1.0 Margaret Robbins 2.0 Seca Ltd. 3.0	Sage Energy 54.5% Marshall Leaf 1.3333 Nelson Breining 3.3333 Seca Ltd. 2.6667 University Oil 4.1667 Charles Robbins .6667 Pennzoil 33.3333
		17.52	3.0%
Overriding Royalty and Percentage		Marathon	John Eddy
Lessee of Record	C.R. Gallagher	Marathon 50il Company	Pennzoil Exploration & Production Company
ty	12.5%	12.5%	12.5%
Basic Royalty and Percentage	State	State	State .
Name or No. & exp. date of Lease	New Mexico St. E-1816-3 Exp. 4-10-53	New Mexico St. B-2244 Exp. 1-31-34	New Mexico St. K-5275-3 Exp. 9-21-70
Number of Acres	40.70	160	80
Description of Land	Lots 1 & 2 2-17S-34E	NW/4 12-17S-34E	E/2SW/4 36-16S-34E
Tract Number & Participation Factor in Unit	13) 4.84999	14) 22.52457	15) 2.07836

EXHIBIT "B"
OPERATING AGREEMENT
NORTH VACUUM (ABO) NORTH UNIT

	81.75 2 2.0 5.0 4.0 6.25	22.425% 2.03125 2.03125 35.0 cd 5.2	98.0% 2.0
Working Interest and Percentage	Sage Energy Marshall Leaf Nelson Breining Seca Ltd. University Oil Charles Robbins	Sage Energy 22.425% Estate of 2.03125 A.M. Pate, Jr. Sebert L. Pate 2.03129 Pennzoil 35.0 Martha V. Leonard 5.2 Fargo Energy 33.3125	Sage Energy Nelson Breining
	3.0		15.5%
Overriding Royalty and Percentage	Pennzoil John Eddy		Pennzoil
Lessee of Record	Pennzoil Exploration & Production Company	Pennzoil Exploration & Production Company	Pennzoil Exploration & Production Company
	12.5%	12.5%	12.5%
Basic Royalty and Percentage	State	State	State
Name or No. & exp. date of Lease	New Mexico St. K-5275-3 Exp. 9-21-70	New Mexico St. L-3393-2 Exp. 8-19-74	New Mexico St. L-4526-1 Exp. 5-19-75
Number of Acres	80	80	80
Description of Land	W/2SW/4 36-16S-34E	S/2SE/4 35-16S-34E	S/2SW/4 35-16S-34E
Tract Number & Participation Factor in Unit	16) 1.49248	17) 2.01703	18) .75426

EXHIBIL "B"
OPERATING AGREEMENT
NORTH VACUUM (ABO) NORTH UNIT

Tract Number & Participation Factor in Unit	Description of Land	Number of Acres	Name or No. & exp. date of Lease	Basic Royalty and Percentage	۸.	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	
19A) 3.65491	SE/4NE/4 2-17S-34E SW/4NE/4 2-17S-34E	700	New Mexico St. K-5029-2 Exp. 5-18-70 New Mexico St. E-754-5 Exp. 2-11-51	State	12.5%	Pennzoil Exploration & Production Company Yates Drilling Company		Sage Energy 2 Martha V. Leonard University Oil Western Leasing Glenn Burton Fargo Energy 2 Pennzoil 1 Wainoco Inc. 1	26.4875% rd 5.2 4.0625 .65 .65 .27.95 13.5184 3.9816
19B) 3.65491	NE/4SE/4 2-17S-34E	70	New Mexico St. K-5029-2 Exp. 5-18-70	State .	12.5%	Pennzoil Exploration & Production		Sage Energy 2 Martha V. Leonard Estate of A.M. Pate, Jr. Sebert L. Pate	26.4875% rd 5.2 . 2.03125 .
	NW/4SE/4 2-17S-34E	40	E-754-5 Exp. 2-11-51			Yates Drilling Company		Western Leasing Glenn Burton Fargo Energy Pennzoil Wainoco Inc.	.65 .65 27.95 13.5184 3.9816 17.5
20) 6.62843	S/2SW/4 2-17-34E	80	New Mexico St. E-619-5 Exp.	. State	12.5%	Yates Drilling Company	Pennzoil 4.375%	Marathon Oil Wainoco	50.0
21) 1.64197	S/2NW/4 2-17S-34E	80	New Mexico St. E-619-5 Exp.	State	12.5%	Yates Drilling Company		Marathon Oil	100.0

NORTH VACUUM (ABO) NORTH UNIT OPERATING AGREEMENT EXHIBIT "C" PART I

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TRACT & UNIT PARTICIPATION - TRACT BASIS

UNIT PARTICIPATION REVENUE NRI	UNIT PARCI CIPALION REL NRI	0.022561 0.0025870 0.0008390 0.0008740 0.000593 0.000593 0.000593 0.002593 0.0023134	0.000000000000000000000000000000000000	0.0040519 0.0010805 0.0006753 0.0006753
TARTICIPATION PARTICIPATION TO PERSON ILL	TANCE TO THE TANK	0.0274082 0.0034493 0.0011187 0.0011653 0.0007458 0.0016458 0.001458	0.0107455 0.0093434 0.000732 0.0043972 0.0257748	0.0054025 0.0014407 0.0009004 0.0201695
TRACE PARCICIPATION WI	TRACT PARTICIPATION WI	0.00172900 0.0172900 0.0172900 0.0172900 0.0172900 0.01729000 0.01729000 0.01729000	0.02577 0.02577 0.025777 0.025777488 0.025777488 0.025777488 0.02577748888888888888888888888888888888888	0.02888 0.02888 0.028888 0.028888 0.028888 0.038888 0.038888 0.038888
70X 22X	NEE WAS	0.551249 0.069375 0.022500 0.023438 0.023438 0.015000 0.015000 0.02000 0.062803 0.062803	0.279123 0.242875 0.0120100 0.127950 0.015625 0.015625 0.015625 0.0125000 0.008291 0.012625 0.012625 1.000000	0.140624 0.017500 0.023418 0.023438
CROSS WI	GROSS WI	0.032800 0.032800 0.030800 0.031280 0.031280 0.031280 0.0400000 1.080000	0-16900 0-162500 0-162500 0-170600 0-170600	0.187500 0.050000 0.031250 0.700000
TYPE	7.7.L			보보보보
ORNER.	ORNER	SAGE ENERGY COMPANY FORCE DEEGS ENERGY LEAV SENTE OF A W PATE JR. SEGREUES ROBBINS ELIZABETH ROBBINS SECA LID. STATE OF NEW MEXICO STATE OF NEW MEXICO STATE OF NEW MEXICO	SACT FATEGT COMPANY FARCO ENERGY SECA LID. SELLA BURNS NALINCE LEGIN SCOPE INDUSTRIES HARDLD JONES PENNZOLL STOLE OF NEW MEXICO R R HANNIEN J A DAVIDSON KATHLER INGIN CHARKESON MAGEMENT INC.	FARCO EMERGY BRILD BURNS ESENTE OF A H PAIT JR. SERIET L PAIT SACT EMERGY COMPANY
STEW ESTAIL	LEASE/HELLS	I TITLES NOTES	A MENTED STATE A	SERVICE STRANGE
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UNIT PARTICIPATION REVENUE NRI	0.0036017 0.0036017 ********	0.0047957 0.0007401 0.0007401 0.0159856 0.0039471 0.0039471 0.0139471	0.00100 0.00100 0.00100 0.00000459 0.001000055 0.00100055 0.0050459 0.0050416 0.0050416	0.00013653 0.00043653 0.00041111 0.00041111 0.00041111 0.0014111 0.0014111 0.0014111 0.0014111	0.0032073
UNIT PARTICIPATION EXPENSE WI	0.0000000 0.0000000 +******** 0.0288135	0.0061942 0.0009868 0.0018946 0.0213142 ******	0.00281318 0.00463312 0.0012604 0.00046033 0.0046033 0.0046033 0.0046033 0.0046033	0.00018204 0.0006068 0.0009481 0.0260169 0.0260169 0.036169	0.0042764
TRACT PARTICIPATION WI	0.0288135 0.0288135	0.0315766 0.0315766 0.0315766 0.0315766 0.0315766	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00 00.00	0.0534556
NET NRI	0.125000 0.125000 ********* 1.00000	0.151874 0.021438 0.051438 0.050500 0.125000 0.125000 1.000000	0.523124 0.0235020 0.0235020 0.023538 0.023538 0.023530 0.125000 0.125000 1.45000 1.55000	00.00000000000000000000000000000000000	0.060000
GROSS WI	1.00000	0.202500 0.031250 0.031250 0.060000 0.675000	0.697500 0.100000 0.031250 0.031250 0.010000 0.120000 0.120000	0.050000 0.031250 0.031250 0.331250 1.0000 1.0000	0.080000
	ORR RI	WI WI WI WI RI ORR	MATINE MA	WI WI WI RI RI RI	HI
OMNER	SAGE ENERGY COMPANY STATE OF NEW MEXICO	FARGO ENERGY ESTATE OF A M PATE JR. SEBERT L PATE SECE LTD. SAGE ENERGY SAGE ENERGY	SAGE ENERGY COMPANY FARCO ENERGY ESTATE OF A M PAIE JR. SEBERT L PATE CHARLES ROBBINS ELIZABETH ROBBINS SECA LID. SAGE ENERGY COMPANY STATE OF NEW MEXICO	1 FARGO ENERGY MARSHALL LEAF ESTATE OF A M PATE SEBERT L PATE SAGE ENERGY COMPANY SAGE ENERGY COMPANY STATE OF NEW MEXICO	. FARGO ENERGY
LEASE/WELLS		SHELL STATE "A"	SHELL STATE B	SHELL STATE C NO.	SHELL STATE "C" NO.
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UNIT PARTICIPATION REVENUE NRI	0.0008018 0.0012529 0.0012529 0.0014009 0.0066820 0.0066820 0.0066820	0.0110481 0.0016414 0.0012052 0.002052 0.0018149 0.00186688 0.0086688 0.0086688	0.0386275 0.0007173 0.0007173 0.0007173 0.0007173 0.0151259 0.151259 0.121668	0.0137524 0.0137524 0.0137524 0.0318292 0.031888
UNIT PARTICIPATION EXPENSE WI	0.0010691 0.0016705 0.0016705 0.006346 0.0442346 0.0534 0.0534	0.0126264 0.0018759 0.00023455 0.00023455 0.0014656 0.0099072 0.0099072	0.0044 0.0044 0.0044 0.00462198 0.0065588 0.0346387 0.1246387 0.1246387	0.0157170 0.0157170 ++++++
TRACT PARTICIPATION WI	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	0.1210068 0.1210068 0.1210068 0.1210068 0.1210068 0.1210068	0.0314340 0.0314340 0.0314340
NET NRI	0.01500 0.023438 0.023438 0.023438 0.125000 1.25000 1.000000	0.306280 0.0048800 0.005888 0.2356888 0.245888 1.485847 1.00000	0.005928 0.005928 0.0446026 0.0476226 0.250473 1.0006	0.437500 0.437500 0.125000 1.00000
GROSS WI	0.02000 0.031250 0.031250 0.82750 0.82750 1.0000	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	0.364821 0.006475 0.0081773 0.0084202 0.0084202 0.286254 1.0004 1.0004	0.500000 0.500000 0.500000 1.0000
TYPE	MI MI WI WI ORR	THE HELLE		Z Z Z
OWNER	MARSHALL LEAF ESTATE OF A M PATE SEBERT L PATE CHARLES ROBBINS SAGE ENERGY COMPANY SAGE ENERGY COMPANY SAGE ENERGY COMPANY STATE OF NEW MEXICO	OXY USA INC. MARTHA V. LEONARD WESTERN LEASING GLENN BURTON FARGO ENERGY UNIVERSITY OIL SAGE ENERGY COMPANY STATE OF NEW MEXICO	OXY USA INC. WESTERN LEASING FARGO ENERGY MARTHA V. LEONARD GLENN BURTON SAGE ENERGY COMPANY STATE OF NEW MEXICO	EXXON FARGO ENERGY STATE OF NEW MEXICO
LEASE/WELLS	# - 41 A AI AI	CITIES SERVICE STATE NO. NART WART WEST GLEN GLEN GLEN GLEN GREN GNIC	CITIES SERVICE NO. 3 O NO. 3	STATE NO. 1
TRACT		8 CIT	6 FI	10 EXXON

UNIT PARTICIPATION REVENUE NRI	0.0039581 0.0239588 0.0039588 0.039581	00000000000000000000000000000000000000	0.00001897 0.00001897 0.00001897 0.00001897 0.00001897 0.00001897 0.00001857 0.00001857 0.00001857 0.00001857 0.00001857 0.00001857 0.00001857 0.00001857 0.00001857 0.00001857
UNIT PARTICIPATION EXPENSE WI	0.0314010 **********************************	00000000000000000000000000000000000000	00000000000000000000000000000000000000
TRACT PARTICIPATION WI	0.0314010 0.0314010 0.0314010		00000000000000000000000000000000000000
NET NRI	0.125000 0.75000 0.125000		
IN SSOUD	000000 - 1		00000000000000000000000000000000000000
LEASE/WELLS OWNER		EXCON MARTHA V. LEONARD MARTHA V. LEONARD SESTATE OF A M PATE JR. SEBERT L PATE CHARLES ROBBINS SECA LID. SICA LID. SAGE ENERGY COMPANY SAGE ENERGY COMPANY STATE OF NEW MEXICO	C R GALLAGHER MARY B GALLAGHER GREY CHRISTINE GALLAGHER SEGER CHARLES BERNARD GALLAGHER GREGORY J GALLAGHER GREGORY J GALLAGHER GREGORY THALES GALLAGHER MATHLED GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARGUERETTE GALLAGHER MARY G HERNDON MARY G HERNDON MARY MARGARETTE POPE WILLIAM G POPE JR. MARY MARGARETTE POPE CHARLESN CHRISTOPHER MARY KNIERIEM MARY KNIERIEM
LEASE/WELLS	ON STATE NO. 2	ON STATE "A"	GALLAGHER STATE
TRACT		12 EXXON	13 GAL

UNIT PARTICIPATION REVENUE NRI	0.0000279 0.0022068 0.0028620 0.0088620 0.0138612 0.0060616 0.060625 0.04844	0.0047302 0.001534 0.0031534 0.0047302 0.1434815 0.0394180 0.2394180 0.2481557 0.2581557	0.000000000000000000000000000000000000	0.000219 0.000597 0.0004477 0.000696 0.0001119
UNIT PARTICIPATION, EXPENSE WI	0.0000118 0.0025220 0.0009852 0.0158412 0.0111907 ************************************	0.0067574 0.002524 0.0045049 0.0067574 0.2049736	0.0002771 0.0006928 0.0005542 0.0001386 0.0069278 0.013271	0.0002985 0.0007462 0.0005970 0.0009128 0.001492
TRACT PARTICIPATION WI	0.000000000000000000000000000000000000	0.2252 0.2252457 0.2252457 0.2252457 0.2252457 0.2252457 0.2252457 0.2252457	0.0207836 0.0207836 0.0207836 0.0207836 0.0207836 0.0207836 0.0207836	0.0149248 0.0149248 0.0149248 0.0149248 0.0149248
NET NRI	0.000514 0.045500 0.017774 0.017774 0.285797 0.125000 1.000000	0.021000 0.021000 0.014000 0.537000 0.175000 1.25000	0.011267 0.028167 0.028180 0.035208 0.035208 0.281667 0.460534 0.125000	0.015000 0.017500 0.010000 0.046875 0.007500
GROSS WI	0.000656 0.052000 0.025313 0.326625 0.230739 1.00000	0.030000 0.010000 0.020000 0.9100000 0.910000 1.000#	0.013333 0.026667 0.026667 0.333333 0.333333 1.0000000000000000000	0.02000 0.050000 0.040000 0.062500 0.010000
TYPE		MI WI WI WI WI WI WI WI WI	A THE WELL OF THE	###### ###############################
OWNER	STEPHEN LAWERENCE KNIEREIH MARTHA V LEONARD ESTATE OF A M PATE JR. SEBERT L PATE FARGO ENERGY SAGE ENERGY COMPANY STATE OF NEW MEXICO	MARSHALL LEAF CHARLES ROBBINS ELIZABETH ROBBINS SECA LID. SAGE ENERGY COMPANY MARATHON OIL STATE OF NEW MEXICO	MARSHALL LEAF NELSON BREINING SECA LID. CHARLES ROBBINS PENNZOLL SAGE ENERGY COMPANY JOHN EDDY STATE OF NEW MEXICO	AARSHALL LEAF NELSON BREINING SECA LID. UNIVERSITY OIL CHARLES ROBBINS SAGE ENERGY COMPANY
LEASE/WELLS		MARATHON STATE	PENNZOIL STATE NO.	PENNZOIL STATE NO.
TRACT		4. M.	ជ ស អ	교 8 1

UNIT PARTICIPATION REVENUE NRI	0.0014179 0.0004477 0.0018656 ######## 0.0149248	0.0061772 0.0009177 0.0001585 0.001585 0.0019578 0.0019578 0.0019578	0.0001086 0.0053221 0.0011691 0.0009428 0.0075426	0.001663 0.0012992 0.0002079 0.0002079 0.0089386 0.0043232 0.0043233 0.0043233 0.0043233 0.0043233 0.0043233	0.0016630
UNIT PARTICIPATION EXPENSE WI	**************************************	0.0070596 0.0010489 0.0004097 0.0067192 0.004533	0.0001509 0.0073917 *******	0.0014848 0.0001346 0.0012346 0.0014940 0.0014955 0.0014955 0.0068961 0.0068961 0.0068961	0.001900\$
TRACT PARTICIPATION WI	0.0149248 0.0149248 0.0149248	0.0201703 0.0201703 0.0201703 0.0201703 0.0201703 0.0201703	0.0075426 0.0075426 0.0075426 0.0075426		0.0365491
NET NRI	.095000	0.306250 0.045500 0.017774 0.291484 0.125000 ++++++++++	0.014400 0.705600 0.155000 0.155000 1.8510000 1.000000	0.000000000000000000000000000000000000	0.0455000
GROSS WI	* 0	0.350000 0.052000 0.052000 0.033133 0.234249 0.22429 1.00000	0.020000 0.980000 1.00000	0.052000 0.040625 0.0406500 0.179500 0.179500 0.179516 0.179516 1.0000	0.0520000
IYPE	.	NAME OF THE PARTY	MT ORR REFERENCE		Ĭĸ
OWNER	** PENNZOIL John Eddy State of New Mexico	NO. 1 PENNZOIL MARTHA V. LEONARD ESTATE OF A M PATE SEBERT L PATE FARGO ENERGY COMPANY STATE OF NEW MEXICO	"A" NO. 1 NELSON BREINING SAGE ENERGY COMPANY PENNZOIL STATE OF NEW MEXICO	NO. 1 HARTHA V. LEONARD UNIVERISTY OIL WESTERN LEASING GLENN BURTON FARGO ENPRGY PENNZOIL WAINOCO OXY USA INC. SAGE ENERGY COMPANY STATE OF NEW MEXICO	NO. 2 MARTHA V. LEONARD
STIZM/ESTITS		17 PENNZOIL STATE 35	PENNZOIL STATE 35	TE COMMUNITIZED	IE COMMUNITIZED NO.
TRACT	作 在 在 在 在 在 在 在 在 在 在 在 在 在 在 在 在 在 在 在	17 19	80 81	19A STATE	19B STATE

** AT PAYOUT PENNZOIL HAS THE OPTION TO CONVERT ITS ORRI TO A WI PER AN AGREEMENT BETWEEN AMINI OIL COMPANY AND PENNZOIL DATED 11/12/73.

UNIT PARTICIPATION REVENUE NRI	0.0006496 0.0006496 0.0002079 0.0089386 0.0043232 0.0012733 0.0085968 0.0084708 0.0084708	0.0028999 0.0260995 0.0289994 0.0082855 0.0662855	0.0143672 0.0020525 ********* 0.0164197 1.000000
TACT TICIPATION PARTICIPATION EXPENSE WI WI	0.0007424 0.0001376 0.0002376 0.0049409 0.0014552 0.00619652 0.00619652 0.006196609 0.006196609	0.0331421 0.0331422 ***********************************	0.0164197 0.0000000 ****************************
HH #	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	0.0662843 0.0662843 0.0662843 0.0662843	0.0164197 0.0164197
NET NRI PAR	0.0177730 0.00177730 0.0056830 0.0056880 0.12485630 0.1383860 0.1383860 0.138390 0.138390 0.138390 0.138390 1.108390 1.108390 1.108390 1.108390	0.043750 0.193750 0.437500 0.125000 1.00000	0.875000 0.125000 ******** 1.00000
GROSS WI	0.0203130 0.0203130 0.00650130 0.1351840 0.1351840 0.1351840 0.1351840 1.2648160	0.500000 0.500000 ******	1.000000 1.000000
34XL		ORR WI WI	i i
RACT LEASE/WELLS OWNER TYPE	ESTATE OF A M PATE JR. SEBERT L PATE WESTERN LEASING GLENN BURTON FARGO ENERGY PENNZOIL WAINOCO OXT USA INC. SAGE ENERGY STATE OF NEW MEXICO	PENNZOIL WALNOCO MARATHON STATE OF NEW MEXICO	MARATHON OIL STATE OF NEW MEXICO
LEASE/WELLS		20 WAINOCO E-619	STATE E-169 "A"
RACT		20 WAL	21 STA

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EXHIBIT "b"

PART I

UNIT OPERATING AGREEMENT NORTH VACUUM (ABO) NORTH UNIT LEA COUNTY, NEW MEXICO

OWNER	UNIT PARTICIPATION EXPENSE
Brian Burns	.001 9 562
C.R. Gallagher	.0031881
Charleen G. Knieriem	.0032358
Charles Bernard Gallagher	.00 00 637
Charles Raymond Gallagher, II	.00 00 637
Charles Robbins	.0044215
Christine Gallagher Seger	.000637
Christopher W. Knieriem	.00 00 637
Delphine Pope Keller	.00 00 637
Elizabeth Robbins	.0056540
Estate of A.M. Pate, Jr.	.00 968 65
Exxon Company, U.S.A.	.0354822
Fargo Energy Corporation	.1767372
Frances Herndon	.00 00 637
W. Glenn Burton	.0017271
Gregory Charles Gallagher	.000637
Gregory J. Gallagher	.0030767
Kathleen Gallagher Cooper	.00 00 637
Marathon 011 Company	.0495619
Marguerite Gallagher Price	.00 00 637
Marshall Leaf	.0101276
Martha V. Leonard	.0173878
Mary B. Gallagher	.0000159
Mary G. Herndon	.0030130
Mary Herndon Ray	.00 006 37
Mary Knieriem Taylor	.00 00 637
Mary Margaret Pope	.0000637
Michael Joseph Gallagher	.0000637
Natalie G. Pope	.0031403
Natalie Pope	.00 00 637
Nelson Breining	.0015899
Oxy U.S.A., Inc.	.0695644
Pennzoil Exploration	
& Production	.0238692
Peter Gregory Herndon	.00 00 637
Raymond Stanley Herndon	.00 006 37
Robin C. Herndon	.0000637
Sage Energy Company	.5013430
Sebert L. Pate	.0096865
Seca Ltd.	.0175010
Stephen Lawrence Knieriem	.0000318
Susan Gallagher Grey	.0000637
University Oil Company	.0047492
Veronica Herndon	.00 006 37
Wainoco Oil & Gas Company	.04 044 97
Western Leasing Company	.001 52 95
William G. Pope, Jr.	.0000637

1.0000000

NORTH VACUUM (ABO) NORTH UNIT OPERATING AGREEMENT EXHIBIT "C"

	TYPE	CROSS WI	NET NRI	TRACT PARTICIPATION WI TRACT PARTICIPATION	UNIT PARTICIPATION EXPENSE WI UNIT PARTICIPATION	DARTICIPATION REVENUE NRI UNIT
				1 <u>H</u>	ZOPRASI TW TA	REVENUE
i i	,	0.02000	0.013400	0.0257748	0.0005155	0.0003454
ţ		761490		970	0.0019562	0.0014259
!					0.0031881	0.0027897
벑		0-066719	0.058379	0.0484999	0.0032358	0.0028314
	,		•		0.0032358	0.0028314
I.		0.001313	0.001149	0.0484999	0.0000637	0.0000557
Ħ		0.001313	0.001149	0.0484999	0.0000637	0.0000557
			s			\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \
		0.020000 0.010000 0.010000	0.015000 0.007500 0.007000	0.0372900 0.0403324 0.2252457 0.0149248	0.0007458 0.0004033 0.0022524 0.0001492	0.0005593 0.0003025 0.0015767 0.0001119
		0.010000 0.006667 0.005000	0.007500 0.005634 0.004375	0.0534556 0.0207836 0.0395305	0.0005346 0.0001386 0.0001976	0.0004009 0.0001171 0.0001729
		•			0.0044215	0.0032413
Ħ		0.001313	0.001149.	0.0484999	0.0000637	0.0000557
				•	0.0000637	0.0000557
Ħ		0.001313	0.001149	0.0484999	0.0000637	0.0000557
•					0.0000637	0.0000557

DNIT PARTICIPATION REVENUE NRI	0.0004027	0.0000557	0.0004027	0.0005593 0.0031534 0.0003025 0.0040152	0.0009453 0.0012529 0.0006753 0.0008740 0.0008620 0.0003885 0.0006496 0.0076093	0. 0137524 0. 0172947 0. 0039251 0. 0023194 0. 0372916	0.0235508 0.0137524 0.0052601 0.0058793 0.0138612 0.0297709
UNIT PARTICIPATION EXPENSE WI		0.0000637		0.0007458 0.0045049 0.0004033	0.0012604 0.0016705 0.0011653 0.0009868 0.0009852 0.0004097 0.0004124 0.0006177	0.0157170 0.0197652 0.0354822	0.0314010 0.0157170 0.0093434 0.0067192 0.0158412
TRACT PARTICIPATION WI	0.0257748	0.0484999	0.0257748	0.0372900 0.2252457 0.0403324	0.0403324 0.0534556 0.0288135 0.0372900 0.0372900 0.048463 0.0201703 0.0365491	0.0314340 0.0395305 0.0314010 0.0372900	0.0314010 0.0314340 0.0257748 0.0484999 0.1210068
TRAC NET NRI PARTICIPA WI		0.001149	0.015625	0.015000 0.014000 0.007500	0.023438 0.023438 0.023438 0.023438 0.023438 0.017474 0.017774 0.017773	0.437500 0.437500 0.125000 0.062197	0.750000 0.437500 0.242875 0.291484 0.285797
GROSS WI		0.001313		0.020000	0.031250 0.031250 0.031250 0.031250 0.02031250 0.020313 0.020313	0.500000	1.000000 0.500000 0.362500 0.32500 0.326625 0.281173
TAPE	ORR	WI	ORR	THE		WI WI ORR	
TRACT OWNER		13 DELPHINE POPE KELLER TOTAL	2 E A CULBERTSON TOTAL	1 ELIZABETH ROBBINS 14 ELIZABETH ROBBINS 5 ELIZABETH ROBBINS TOTAL	5 ESTATE OF A M PATE JR. 7 ESTATE OF A M PATE JR. 1 ESTATE OF A M PATE JR. 6 ESTATE OF A M PATE JR. 13 ESTATE OF A M PATE JR. 14 ESTATE OF A M PATE JR. 15 ESTATE OF A M PATE JR. 15 ESTATE OF A M PATE JR. 12 ESTATE OF A M PATE JR. 12 ESTATE OF A M PATE JR. 12 ESTATE OF A M PATE JR.	10 EXXON 12 EXXON 11 EXXON 1 EXXON	11 FARGO ENERGY 10 FARGO ENERGY 2 FARGO ENERGY 17 FARGO ENERGY 9 FARGO ENERGY

UNIT PARTICIPATIO REVENUE NRI	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.0	0.0000557	0.0007173 0.0002079 0.0002079 0.0002052 0.0001729	0.0000557	0.0026921	0.0002139	0.0002137	0.0004477
UNII PARTICIPATIO EXPENSE WI	######################################	0.0000637	0.0008198 0.0002376 0.0002375 0.0002345	0.0000637	0.0030767			
TRACT PARTICIPATI	######################################	0.0484999	0.1210068 0.0365491 0.0365491 0.0360754 0.0395305	0.0484999	0.0484999	0.0257748	0.0257748	0.0149248
NET NRI	######################################	0.001149	0.005928 0.005688 0.005688 0.005688	0.001149	0.055507	0.008300	0.008291	000000000000000000000000000000000000000
Ħ	000000000000000000000000000000000000000	0.001313	0.006775 0.006500 0.006500 0.006500	0.001313	0.063438			
3CAI		NDON WI	N N N N N N N N N N N N N N N N N N N	CHARLES GALLAGHER WI	GALLAGHER WI	ORR	ORR	ORR
OWNER	RGO BROO BROO BROO BROO BROO BROO BROO B	FRANCES HERNDON TOTAL	GLENN BURTON GLENN BURTON GLENN BURTON GLENN BURTON GLENN BURTON	8	GREGORY J GA Total	HAROLD JONES TOTAL	J A DAVIDSON Total	лови вору лови вору
TRACT	144 186 186 186 186 186 186 186 186 186 186	м H М	001 0000 0000 0000 0000	-	ច ដ	A B	ь В В	116 20 20

DARTICIPATION REVENUE NRI	0.0010712	0.000	0.0000557	0.0004027	0.0004027	0000004	0.0143672	0.0827846		/ 550000 0	0.0000557	***************************************	0.0047302	0.0008018	0.0004551		7.00.0	0.0022068	0.0057390	0.0016630	0.000417	0.0013836	0.0152145		65700000	0610000
UNIT PARTICIPATION EXPENSE WI			7590000.0				0.0164197	0.0495619		0.0000637	0.0000637		0.0067574	0.0010691 0.0002985	0.0006068	4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	9/77070	0.0025220	0.0065588	0.0019005	0.0010489 0.0018759	0.0015812	0.0173878		6510000.0	
TRACT PARTICIPATION WI			0.0484VVV	0.0257748	si		0.0062843 0.0164197 0.2252457			0.0484999			0.0372900	0.0534556	0.0303403	0.020/836		0.0484999	0.1210068	0.0365491	0.0201703 0.0360754	0.0395305		,	0.0484999	
NET NRI	***********		0.001149	0.015625			0.437500			0.001149			0.022500	0.015000	0.015000	0.011267	er.	0.045500	0.047427	0.045500	0.045500	0.045500			0.000287	
GROSS WI			£1£100.0.				0.500000			0.001313			0.03000	0.02000	0.02000	0.013333			0.054202	0.052000	0.00110000	0.052000			0.000328	
TVPE			IM	•	ORK		H H	ORR		11			¥	ij					H	14	46	! E !	T _M		TM	!
TRACT OWNER		TOTAL	13 XATHLEEN GALLAGHER COOPER		2 KATHLZEN IRWIN	TOTAL		21 MARATHON OLL 14 MARATHON OLL	rotal		13 MRGDERETTE GALLMAREN FALL	TOTAL		,,,,	MARSHALL	• • • •	TOTAL		MARCHA V.	NO PETERA	Þ	MARCERA V.		TOTAL		

TOTAL

UNIT PARTICIPATION REVENUE NRI	0.0026366	0.0000557	0.0000557	0.0000557	0.0000557	0.0027479	0.0000557	0.0005597 0.0005854 0.0001086 0.0012537	0.0386275 0.0110481 0.0055966 0.0055966	0.0061772
*	0.0030130	0.0000637	0.0000637	0.0000637	0.0000637	0.0031403	0.0000637	0.0007462 0.0006928 0.0001509	0.0441458 0.0126264 0.0063961 0.0063961	0.0070596
X	0.0484999	0.0484999	0.0484999	0.0484999	0.0484999	0.0484999	0.0484999	0.0149248 0.0207836 0.0075426	0.1210068 0.0360754 0.0365491 0.0365491	0.0201703
NET NAI	0.054360	0.001149	0.001149	0.001149	0.001149	0.056656	0.001149	0.037500 0.028167 0.014400	0.319218 0.306250 0.153125 0.153125	0.306250
PG :	0.062125	0.001313	0.001313	0.001313	0.001313	0.064750	0.001313	0.050000	0.364821 0.350000 0.175000 0.175000	0.350000
TYPE	I.M.	녍	Ħ	I.M	II.	Ĭ	I M	HHH		H _M
RACT OWN	13 MARY G HERNDON TOTAL	13 MARY HERNDON RAY TOTAL	13 MARY KNIERIEM TAYLOR TOTAL	13 MARY MARGARETTE POPE TOTAL	13 MICHAEL JOSEPH GALLAGHER TOTAL	13 NATALIE G POPE TOTAL	13 NATALIE POPE TOTAL	16 NELSON BREINING 15 NELSON BREINING 18 NELSON BREINING TOTAL	9 OXY USA INC. 8 OXY USA INC. 19A OXY USA INC. 19B OXY USA INC. TOTAL	17 PENNZOIL

UNIT PARTICIPATION REVENUE NRL	0.0058541 0.0043232 0.0043232 0.0014179 0.0010689 0.0011691	0.0272335	0.0000557	0.0002137	0.0000557	0.0000557	0.00159886 0.00195121 0.00195121 0.00195121 0.00195121 0.001951 0.001951 0.001951 0.001951 0.001951 0.001951 0.001951 0.001951 0.001951 0.001951 0.001951
UNII PARTICIPATION EXPENSE FI	0.0069278	0.0238691	0.0000637		0.0000637	0.0000637	0.0211142 0.00439142 0.0249734 0.0249735 0.02421350 0.027420111 0.0216982 0.0346482 0.0346483 0.0113271 0.0096809 0.0113677 0.0011967
TRACT PARTICIPATION WI	0.0207836 0.0365491 0.0365491 0.0149248 0.0257748 0.0075426		0.0484999	0.0257748	0.0484999	0.0484999	0.0315766 0.00315766 0.015426 0.0154457 0.014034 0.01729148 0.023729148 0.023729148 0.023729148 0.023729148 0.0237248 0.0237248 0.0237248 0.03607486 0.03607436 0.03607436 0.03607436
net hri	0.281667 0.118286 0.118286 0.095000 0.041470		0.001149	0.008291	0.001149	0.001149	0.000 0.000
CROSS WI	0.33133 0.135184 0.135184		0.001313		0.001313	0.001313	0.67 0.98 0.98 0.98 0.98 0.87 0.77 0.77 0.77 0.77 0.78 0.78 0.7
TYPE	WI WI WII ORER ORER ORER		Ĭ.	OKR	H.	Ħ	
TRACT OWNER	15 FENZOIL 198 FENZOIL 198 FENZOIL **16 FENZOIL 2 FENZOIL 18 FENZOIL 20 FENZOIL		13 PETER GREGORY HERNDON TOTAL	2 R B BANNIFIN TOTAL	13 RAYMOND STANLEY HERNDON TOTAL	. 13 ROBIN C HERNDON TOTAL	4 SAGE ENERGY COMPANY 18 SAGE ENERGY COMPANY 18 SAGE ENERGY COMPANY 7 SAGE ENERGY COMPANY 16 SAGE ENERGY COMPANY 1 SAGE ENERGY COMPANY 2 SAGE ENERGY COMPANY 3 SAGE ENERGY COMPANY 3 SAGE ENERGY COMPANY 3 SAGE ENERGY COMPANY

** AI PAYOUT PENNZOIL HAS THE OPTION TO CONVERT ITS ORRI TO A WI PER AN AGREEMENT BETWEEN AMINI OIL COMPANY AND PENNZOIL DATED 11/12/73.

UNIT PARTICIPATION REVENUE NRI		0.4020885	•	0.0016109	0.0009453	.000874	.000675	.000358	0.0076093	0.0036299 0.0014209 0.0011187			0.0128526	0.0039292 0.0039251 0.0025213 0.0018656 0.0009428	.002598 .015125 .002052	.028155 .028155 .004941
UNIT PARTICIPATION EXPENSE WI		0.5013430			.00126	000116	.00090	0.0004097 0.0009852 0.0006177	0.0096865	0.0048400 0.0018946 0.0014916		,,,,	0.0175010	·		
TRACT PARTICIPATION WI	0.0534586 0.0403324 0.0315766 0.0303403	·	0.0257748		.053455	037290	.028813	0.0201703 0.0484999 0.0395305		04033 03157 03729	014924	.025774 .020783 .039530		0.0314340 0.0314010 0.0201703 0.0149248	.020783 .121006 .016419	. 22524 . 039545 . 039530
NET NRI	0.125000 0.125000 0.125000 0.125000		0.062500		0.023438	0.0234 0.0234 0.0234 0.0234 0.0234	0.023438	0.017774 0.017774 0.013672		.09000	.03000	0.020100 0.022533 0.013125		0.125000	0.125000	0.125000 0.125000 0.125000
GROSS WI					00.00	0.031230	0.031250	0.020313 0.020313 0.015625		0.120000	0.0000000000000000000000000000000000000	0.030000 0.026667 0.015000				
TYPE	eeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeeee		ORR	٠	IM IM					II.	H H H A A A			מממממ	4222	교교교교
TRACT OWNER	**************************************	TOTAL	2 SCOPE INDUSTRIES	TOTAL	SEBERT L	SEBERT L	SEBERT L	19B SEBERT L PATE 17 SEBERT L PATE 13 SEBERT L PATE 12 SEBERT L PATE	TOTAL	SECA	SECA LITES	12 SECALID. 12 SECALID. 12 SECALID.	TOTAL	HHHHH	STATE OF NEW STATE OF NEW STATE OF NEW STATE OF NEW	STATE OF NEW STATE OF NEW STATE OF NEW STATE OF NEW

UNIT PARTICIPATION REVENUE NRI 0.0036017 0.004612 0.0050416 0.0050816 0.0050816 0.0050816 0.0050816 0.0050816 0.0050816	0.0000279	0.0000557	0.0012992 0.0006996 0.0013817 0.0012824	0.0000557	0.0260995 0.0012733 0.0012733 0.0012733	0.0004027	0.0007173
DNET CTPATION EXPENSE WI	0.0000318	0.0000637	0.0014848 0.0009328 0.0008660 0.0014656	0.0000637	0.0031421 0.0043972 0.0014552 0.0014552		0.0008198
TRACT PARTICIPATION WI WI 0.0288135 0.0372900 0.0534556 0.0403324 0.0365491 0.0365491 0.0365491	0.0484999	0.0484999	0.0365491 0.0149248 0.0207836 0.0360754	0.0484999	0.0662843 0.0257748 0.0365491 0.0365491	0.0257748	0.1210068
NET NRI 0.125000 0.125000 0.125000 0.125000 0.125000 0.125000 0.125000	0.000574	0.001149	0.035546 0.046875 0.035208 0.035547	0.001149	0.437500 0.127950 0.034839 0.034839	0.015625	0.005928
GROSS WI	0.000656	0.001313	0.040625 0.062500 0.041667 0.040625	0.001313	0.500000 0.170600 0.039816 0.039816		0.006775
	REIN WI	H		Ţ	I H H H H I H H	ORR	ਜ਼
TRACT OWNER 3 STATE OF NEW HEXICO 7 STATE OF NEW HEXICO 5 STATE OF NEW HEXICO 20 STATE OF NEW HEXICO 20 STATE OF NEW HEXICO 13 STATE OF NEW HEXICO 14 STATE OF NEW HEXICO 25 STATE OF NEW HEXICO 26 STATE OF NEW HEXICO 27 STATE OF NEW HEXICO 28 STATE OF NEW HEXICO 27 STATE OF NEW HEXICO	13 STEPHEN LAWERENCE KNIEREIK TOTAL	13 SUSAN GALLAGHER GREY . TOTAL	19A UNIVERISTY OLL 16 UNIVERSITY OLL 15 UNIVERSITY OLL 8 UNIVERSITY OLL TOTAL	13 Veronica Herndon Total	20 WALNOCO 2 WALNOCO 19B WALNOCO 19A WALNOCO TOTAL	2 WALLACE IRWIN TOTAL	9 WESTERN LEASING

TRACT OWNER	YER	TRACT OWNER TYPE GROSS WI		NET NRI	TRACT PARTICIPATION WI	UNIT PARTICIPATION EXPENSE WI	¥4
19B FESTERN LEASING 8 FESTERN LEASING 19A FESTERN LEASING	K LEASING K LEASING K LEASING	WI WI WI		0.005688 0.005688 0.005688	0.0365491 0.0360754 0.0363491	0.005688 0.0365491 0.0002376 0.005688 0.0360754 0.0002345 0.005688 0.0365491 0.0002376	0.0002079 0.0002052 0.0002079
TOTAL	·		•			0.0015295	0.0013383
13 WILLIAM	13 WILLIAM G POPE JR.	Ĭ	0.001313	0.001149	0.0484999	0.0000637	0.0000557
TOTAL					\$	0.0000637	0.0000557
						1.0000000	1.0000000

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EXHIBIT "D" PART II UNIT OPERATING AGREEMENT

NORTH VACUUM (ABO) NORTH UNIT LEA COUNTY, NEW MEXICO

Brian Burns 100 Bush, Suite 1700 San Francisco, CA 94104

Charleen G. Knieriem 1100 Glendon Avenue, Suite 91 Westwood Center Los Angeles, California 90024

Charles Raymond Gallagher, II 8550 Katy Freeway, Suite 208 Houston, Texas 77024

Christine Gallagher Seger 4607 20th Street Lubbock, Texas 79407

Delphine Pope Keller 9330 N.E. Schuyler Portland, Oregon 97220

Estate of A.M. Pate, Jr. c/o NCNB Texas P.O. Box 2546 Ft. Worth, Texas 76113

Fargo Energy Corporation 10101 Reunion Place, Suite 800 San Antonio, Texas 78216

W. Glenn Burton 8000 IH-10 West, Suite 820 San Antonio, Texas 78230

Gregory J. Gallagher 8550 Katy Freeway, Suite 208 Houston, Texas 77024

Marathon Oil Company P.O. Box 552 Midland, Texas 79702 Attn: Tom Wesling

Marshall Leaf 1515 N. Dearborn Chicago, Illinois 60610

Mary B. Gallagher 1005 Texas Commerce Bank Bldg. 1208 l4th Street Lubbock, Texas 79401

Mary Herndon Ray P.O. Box 1283 Mobile, Alabama 36601

Mary Margaret Pope 8550 Katy Freeway, Suite 208 Houston, Texas 77024 C.R. Gallagher, Jr. 10**05** Texas Commerce Bank Bldg. 12**08** 14th Street Lubbock, Texas 79401

Charles Bernard Gallagher 975 California Avenue Palo Alto, CA 94304-1104

Charles Robbins Llewellyn Park West Orange, New Jersey 07052

Christopher W. Knieriem 72**80** Lynch Road Sebastopol, California 95472

Elizabeth Robbins c/o Triumph Resources Attn: Martin Suchoff 1270 Ave. of the Americas #605 New York, New York 10020

Exxon Company, U.S.A. P.O. Box 1600 Midland, Texas 79702 Attn: Brian Wheeler

Frances Herndon
P.O. Box 1283
Mobile, Alabama 36601

Gregory Charles Gallagher 85**50** Katy Freeway, Suite 208 Houston, Texas 77024

Kathleen Marie Gallagher Cooper P.O. Box 814 Vacaville, California 95688

Marguerite Gallagher Price 8550 Katy Freeway, Suite 208 Houston, Texas 77024

Martha Leonard 1411 Shady Oak Land Ft. Worth, Texas 76107

Mary G. Herndon P.O. Box 1283 Mobile, Alabama 36601

Mary Catherine Knieriem Taylor 4535 Miller Oak Drive Auburn, California 95603

Michael Joseph Gallagher 8550 Katy Freeway, Suite 208 Houston, Texas 77024 Natalie G. Pope 1100 Glendon Avenue, Suite 91 Westwood Center Los Angeles, California 90024

N.H. Breining 446 Carpenter Pl. Union, New Jersey 07083

Pennzoil Exploration & Production P.O. Box 2967 Houston, Texas 77252-2967

Raymond Stanley Herndon P.O. Box 1283 Mobile, Alabama 36601

Sage Energy Company 10101 Reunion Place, Suite 800 San Antonio, Texas 78216

Seca, Ltd. c/o Sledge Trivette & Hiatt CPA P.O. Box 6218 High Point, NC 27262

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EXHIBIT

** E

Unit Operating Agreement, North Vacuum (Abo) North Unit, Attached to and made a part of ... 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 speci**al a**nd specific e<mark>ngineering, geological or oth</mark>er 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.

Statement and Billings 2.

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.

Advances and Payments by Non-Operators 3.

- 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.
- 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 Texas Commerce B. Bank of San Antonio ___ 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.

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.

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5. Audits

- A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Op**era**tors 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.
- The Operator shall reply in writing to an audit report within 180 days after receipt of such report. If an audit exception(s) cannot be reconciled within 180 days, the non-operator(s) shall be reveal by Non-Operators.

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:

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.

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 of First Level Supervisors in the field.
 - (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
 - (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.
- 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.
- 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.

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.

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:

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.

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- 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

- 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

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 not to exceed 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.

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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:
 - () shall be covered by the overhead rates, or
 - (X) 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 \$ 480.00 (Prorated for less than a full month)

Producing Well Rate \$ 4800.00

- (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:

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		001	ш
		(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, redrilling, 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.	Overh	ead - Major Construction	
	fixed a Joint F	pensate Operator for overhead costs incurred in the const ruct ion and installation of fixed assets, the expansion of seets, and any other project clearly discernible as a fixed asset required for the development and operation of the property. Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint for overhead based on the following rates for any Major Construction project in excess of \$ 50,000.00 :	•
	Α	5 % of first \$100,000 or total cost if less, plus	
	В	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.	
		cost shall mean the gross cost of any one project. For the pu rpos e of this paragraph, the component parts of a single t shall not be treated separately and the cost of drilling a nd wor kover wells and artificial lift equipment shall be ed.	
3.	Catast	rophe Overhead	
	to oil s to resto shall e	npensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due pill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary ore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator ither negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based or lowing rates:	/ r
	Α	5 % of total costs through \$100,000; plus	
	В	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.	
		ditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provi If this Section III shall apply.	-
4.	Amen	dment of Rates	
		verhead rates provided for in this Section III may be amended from time to time only by mutual agreement between arties hereto if, in practice, the rates are found to be insufficient or excessive.	1
	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 move ments 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.

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.

Transfers and Dispositions 2.

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% 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% 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 ¾ 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 ¾ 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 ¾ 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.

EXHIBIT "F"

Attached to and made a part of that certain Unit Operating Agreement, North Vacuum (Abo) North Unit, County of Lea, State of New Mexico.

INSURANCE

Unit Operator and Unit Operator's contractors and subcontractors shall, during the drilling and completing of any and all well or wells drilled on the Unit Area and during the performance of all operations, carry the following described minimum insurance coverage on the Unit Area.

- A. Employer's Liability with limit of \$100,000 Bodily Injury each accident, \$500,000 Bodily Injury by disease policy limit, \$100,000 Bodily Injury by disease each employee and Worker's Compensation Insurance covering Operator's employees and the employees of Operator's contractors and subcontractors engaged in operations under this Agreement, in compliance with the laws of the State where the work is performed.
- B. General Public Liability Insurance covering the parties hereto in connection with all operations conducted by Operator or Operator's contractors and subcontractors with a limit not less than \$500,000 each occurrence and annual aggregate combined Bodily Injury and Property Damage.
- C. Automobile Public Liability and Property Damage Insurance covering the parties hereto in connection with all operations conducted by Operator or Operator's contractors and subcontractors with a limit not less than \$500,000 each accident combined single limit for Bodily Injury and Property Damage.
- D. Such additional insurance as may hereafter be deemed necessary by the Unit Operator or as may be required by law.

Unit Operator shall require its contractors and subcontractors working and performing services on land committed hereto to carry other insurance of the types specified above and such amounts as the Unit Operator shall deem necessary. All insurance coverage shall be carried at the joint expense and for the benefit of the parties hereto.

UNITIZATION STUDY NORTH VACUUM (Abo) NORTH UNIT NORTH VACUUM (Abo) FIELD LEA COUNTY, NEW MEXICO

BEFORE EXAMINER

OIL CONSERVATION DIVISION

EXHIBIT NO.

CASE NO 10,102+10,103

By
Sage Energy Company
Midland, Texas

UNITIZATION STUDY

NORTH VACUUM (Abo) NORTH UNIT

NORTH VACUUM (Abo) FIELD

LEA COUNTY, NEW MEXICO

By Technical Committee October, 1989

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4	Base Land Map
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6	Primary Decline and Flood Response Curve
7	Location Map of North Vacuum (Abo)Field
8	East-West Cross Section
9	Abo Structure Map
10	Pilot Flood Installation Map
11	Full Scale Flood Installation Map
12	Pilot Flood Economic Analysis
13	Full Scale Flood Economic Analysis
14	Waterflood Capital and Operating Costs
15	Waterflood Profitability Summary

Tables

Unit Participation by Tract Unit Participation by Owner

Exhibit

I. <u>Introduction</u>

By a letter ballot dated January 26, 1988, operators in the North Vacuum (Abo) Field approved formation of the North Vacuum (Abo) North Unit Technical Committee and assignment of charges to the Committee. This report presents the information compiled by the Technical Committee in fulfilling the charges which are listed below. Discussion of the individual charges follows.

Charges Assigned to Technical Committee

- A. Evaluate the prospects for secondary recovery, including economics, within the proposed unit area.
- B. Construct an accurate base map.
- C. Define the vertical interval to be unitized.
- D. Tabulate the following participation parameters by lease:
 - 1. Usable wellbores
 - 2. Surface acres
 - 3. Cumulative production
 - 4. Current six month production (oil and gas)
 - 5. Remaining primary oil reserves
 - 6. Main Pay zone net pay (if possible)
 - 7. Primary ultimate oil recovery
- E. Develop a plan, including incremental economics, for secondary recovery operations in the unit area.

II. Parameter Study

A. Secondary Recovery Prospects

The proposed unit area lies on the north flank of the large Vacuum (Abo) North Field. Within this field are three waterflood units; the North Vacuum (Abo) and the North Vacuum (Abo) East Units operated by Mobil, and the North Vacuum (Abo) West Unit operated by Texaco. Each of the three units has seen a positive waterflood response that has made them economically viable waterflood projects. Of the three floods, it was decided that the proposed unit would more closely resemble the North Vacuum (Abo) East Unit due to its structural position and pay quality.

B. Base Map

The base map shown in Exhibit No. 1 was used in the Technical Committee work. This map was considered adequate for the engineering work done by the

Committee. An "accurate base map" constructed from detail survey information was not made since parameters requiring such a map were not deemed necessary.

C. Vertical Interval to be Unitized

The Technical Committee recommends that the vertical interval to be unitized be defined as that subsurface portion of the Unit Area from the top of the Abo Shale Marker to the dense zone located approximately 250 feet below the Main Pay zone. A typical log showing formation tops and the recommended unitized interval is the Shell Oil Company Shell State VI No. 1 located 900' FSL, 900' FEL in Sec 1, T-17-S, R-34-E of Lea County, New Mexico (Exhibit No. 2). the type well, the top of the Abo Shale Marker is 8440' and the base of the unitized interval is 9012'. The waterflood objective is the Abo Formation with the main producing interval located approximately 300' below the Abo Shale Marker. Numerous other thin zones both above and below the Main Pay may or may not produce. The recommended unitized interval accounts for all these thin zones whether or not they are found to be productive.

D. Participation Parameters

Participation parameters for the Unit Area are tabulated by tract and by working interest owner in Tables 1 and 2, respectively. A summary of the unitization parameters is listed in Exhibit No. 3. Pertinent comments about each parameter follows.

- 1. Usable Wellbores The term "usable wellbore" includes all wells within the Unit Area that have potential value either as injection or producing wells. Wells that are excluded are those that have been permanently abandoned, have severe downhole mechanical obstructions, or are producing from horizons other than the unitized interval.
- Surface Acres Since detailed tract by tract survey data was not available for this report, nominal acreage based on commercial land maps was used in this tabulation. (Exhibit No. 4)
- 3. Cumulative Production Cumulative oil production to July 1, 1989, was tabulated. Cumulative gas production was not used as a participation parameter.

- 4. Current Six Month Production Current production from January 1 through July 1, 1989, of both oil and gas was tabulated for this six month period. The production was obtained from NMOCD Form C-115.
- 5. Remaining Primary Reserves Remaining Primary Reserves as of July 1, 1989, were estimated through the use of semi-log rate-time curves (decline curves). Individual lease decline curves were well established making reliable estimates of remaining reserves possible. The decline curves were extrapolated to an economic limit of 90 BOPM per producing well.
- 6. Main Pay Zone Net Pay Due to the lack of cores and other petrophysical data, the net pay was picked from Gamma Ray-Neutron logs using a 5% porosity cutoff. The Main Pay was picked as the zone that was continuous across the field; this being the interval 8732-58' on the Shell State VI No. 1 type log. An isopach map using these net pay figures was constructed (Exhibit No. 5). The Main Pay net acre-feet was then calculated from planimetered data of the isopach map.
 - 7. Primary Ultimate Oil Recovery The primary ultimate was calculated by adding the remaining primary oil reserves to the cumulative oil production as of July 1, 1989.

III. Waterflood Study

A. Recommendation

It is recommended that as soon as possible after unitization, a pilot waterflood consisting of seven injection wells be installed in the central portion of the unit. After response has been seen it is recommended that the full scale waterflood covering the rest of the unit acreage be installed.

B. Introduction and Summary

The wells located within the proposed unit acreage are, for the most part, in the late stages of primary recovery. Some wells are producing near their economic limit while a few wells along the lease line of Mobil's North Vaccum (Abo) Unit are beginning to see response. As of July 1, 1989, cumulative oil production is 3,053,527 BO with a remaining primary

of 459,700 BO based on the current 8%/yr decline (Exhibit No. 6). It is therefore, timely to unitize the recommended area and develop plans for secondary.

Both the North Vacuum (Abo) and the North Vacuum (Abo) East Units have shown that waterflooding can form an oil bank and that, though injection pressures may exceed 4000 psi, adequate water injectivity can be maintained resulting in an increase in production.

Based on a pilot and full scale waterflood, (see Exhibit No. 6), initial and ultimate capital investments of \$2,800,000 and \$6,910,000 will be required. Incremental secondary oil recovery in the pilot flood of 1,075,926 BO will result in a 3.27 year payout, 42.4% rate of return and \$12,268,865 net profit, all before taxes. Secondary recovery of 2,287,915 BO in the full scale flood will result in a 3.39 year payout, 39.13% rate of return and \$25,674,153 net profit, all before taxes.

C. Field Location and Discovery

The North Vacuum (Abo) Field is located twelve miles southwest of Lovington, New Mexico, on the Northwest Shelf near the entrance of the San Simon channel. The general location in relation to other fields in the area is shown on Exhibit No. 7.

Field discovery occurred in 1960 with the production from the Abo Formation at an average depth of 8800'.

D. Field Development History

Early development in the Unit Area began in 1971 and extended over a five year period through 1976. The typical well was perforated through casing and acidized with large volumes of hydrochloric acid ranging from 5,000 to 12,000 gallons. Currently there are thirty-three producing wells in the Unit Area.

E. Geology

The Vacuum (Abo) North Field is located north and behind the main Vacuum Abo reef trend in the back reef depositional environment of the Permain Abo Formation at an average depth of approximately 8800'. As is typical of back reef deposits, the Abo is comprised of thinly bedded, lenticular dolomites encapsulated by shale stringers. The productive dolomite zones average 3-8' in thickness with porosities in the range of 5-7%. The bulk of the field's production has come from what has been described as the Main Pay interval. This Main Pay

interval has been further broken down into four zones, labeled 1 through 4, on the attached cross section (Exhibit No. 8). The hydrocarbon accumulation is apparently controlled by the better porosity development across the structure.

Exhibit no. 9 is a structure map on the top of the Abo Shale Marker. The proposed unit area lies on the Northern flank of the structure down dip of the North Vacuum (Abo) Unit but on strike with the North Vacuum (Abo) East Unit. Being on the flanks of this structure does not pose any threat to the proposed unit since production is limited more so by porosity and permeability development rather than structural position. To this extent, no oil/water contact has been found.

F. Reservior and Fluid Properties

Due to the lack of cores and the quality of logs that were run, certain reservoir properties could not be determined. Likewise, no fluid samples have been taken for running PVT analysis. Lack of any bottom hole pressures made material balance calculations impossible. The following is a list of properties that are known:

Estimated Productive Area
Type Drive
Oil/Water Contact
Current GOR
Oil Gravity, API
Reservoir Temperature
Gas Gravity
Average Porosity
Average Net Pay
Main Pay Zone Net Pay

2240 AC
Solution Gas
None
1850 SCF/STB
36
128 F
.85
5-7%
10-12'
28,763 ac-ft

G. Primary Production

Cumulative oil production from the Unit Area as of July 1, 1989, is 3,053,527 BO. The primary decline is 8%/yr which leaves 459,700 BO remaining as of July 1,1989. From this point the remaining primary life is 10 years assuming a 90 BOPM economic limit per well.

H. Offset Waterflood Units

The Abo Formation is being waterflooded by the North Vacuum (Abo) and North Vacuum (Abo) East Units located directly south and southeast of the unit area. Both of these floods, operated by Mobil, have seen response to injection. The Technical Committee has determined that the North Vacuum (Abo) East Unit would be the best analogy for modeling a waterflood.

The North Vacuum (Abo) East Unit (herein called the East Unit) originally consisted of eleven producing wells on 880 acres. Injection began in June, 1979, with the conversion of five wells to injection forming 160 acre 5 spot patterns. Production declined for a twelve month period before beginning response. Over the next four years the response continued until reaching its peak and leveling off at approximately 7500 BOPM. From October, 1985, to April, 1986, eleven new producing wells were drilled and the remaining six producers were converted to injection for a total of eleven producers and eleven injectors on eighty acre five spot patterns. Production increased and remained level @ 14,500 BOPM. No decline in production has been seen for the past five years.

Assuming the decline will equal the response incline, the secondary oil recovery will be 1,507,000 BO. With the primary oil recovery calculated to be 1,640,000 BO, the secondary/primary ratio is 0.92.

I. Unit Waterflood Reserves

Due to the insufficient quantity of basic reservoir data, secondary reserves were calculated by analogy with the East Unit. Since the proposed unit will be on 80 acre 5 spot patterns, response time is estimated to be half that of the East Unit which started out on 160 acre spacing. The secondary/primary ratio will fall into the .65 to .80 range which corresponds to 2,284,000 BO to 2,811,000 BO of secondary oil depending on oil price.

J. Plan for Waterflood Operation

The Technical Committee recommends that installation of the waterflood be staged starting with a pilot flood consisting of eight injectors located in the central portion of the unit. The pilot flood will

require drilling six new injectors and converting two producers to injection as shown in Exhibit No. 10. When sufficient response is seen and the corresponding information obtained, estimated to be in two years, the full scale waterflood may be installed. The full scale flood will require drilling nine new injectors and converting one producer to injection as shown in Exhibit No. 11.

The cost to install the pilot flood is estimated to be \$2,800,000 which will provide for water injection at the rate of 3200 BWPD at 2700 psi. Pressured fresh water will be provided to the unit for flooding by Mobil at a cost of \$.17/bbl. Once response has been seen, the full scale flood may be installed at an estimated additional cost of \$4,110,000.

K. Waterflood Economics

Non-escalted incremental economic analysis have been made of both the pilot and full scale floods using the current posted price of \$18.75/bbl. Operating expenses were based on \$1500/month per well plus the cost of injection water at \$.17/bbl. It was assumed that the average injection well will take 400 BWPD initially and decline as injection pressure increases.

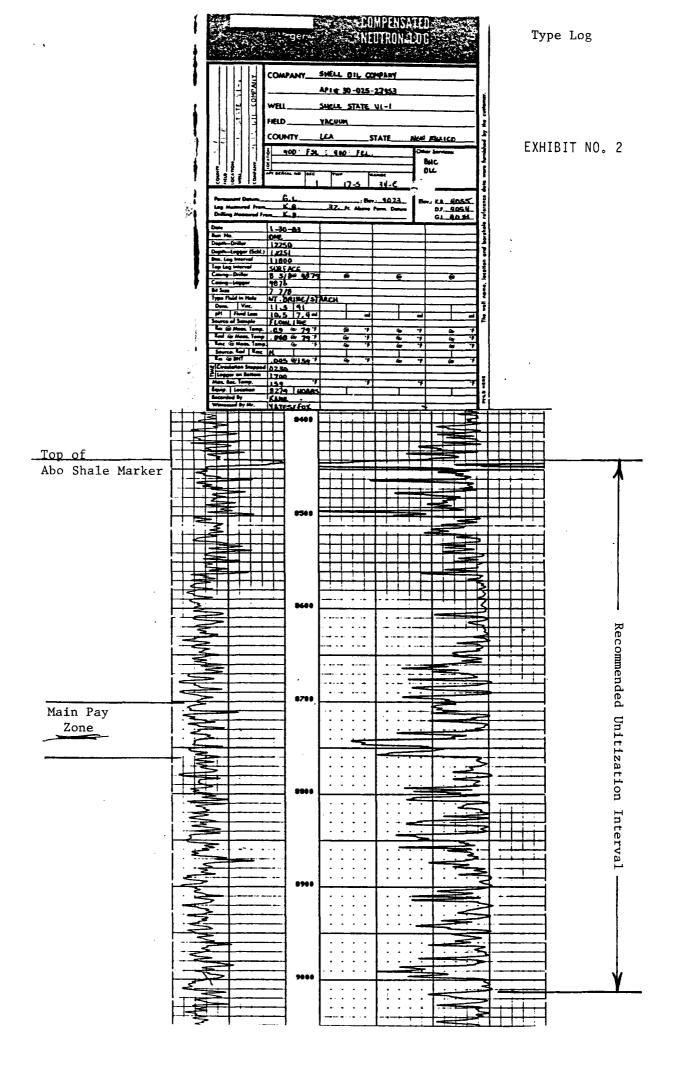
Response to the flood was based on that of the East Unit but with response time cut in half due to closer spacing. To this end, production will decline for six months before seeing response. Production will then climb for two years before reaching its peak at 60 BOPD per 5 spot pattern. It will remain flat for a five year period before declining at the same rate it had inclined.

Exhibit No. 12 and No. 13 are the computer generated economic analysis of the pilot and full scale floods. Exhibits No. 14 and No. 15 summarize the waterflood capital and operation costs as well the waterflood economics.

Exhibits

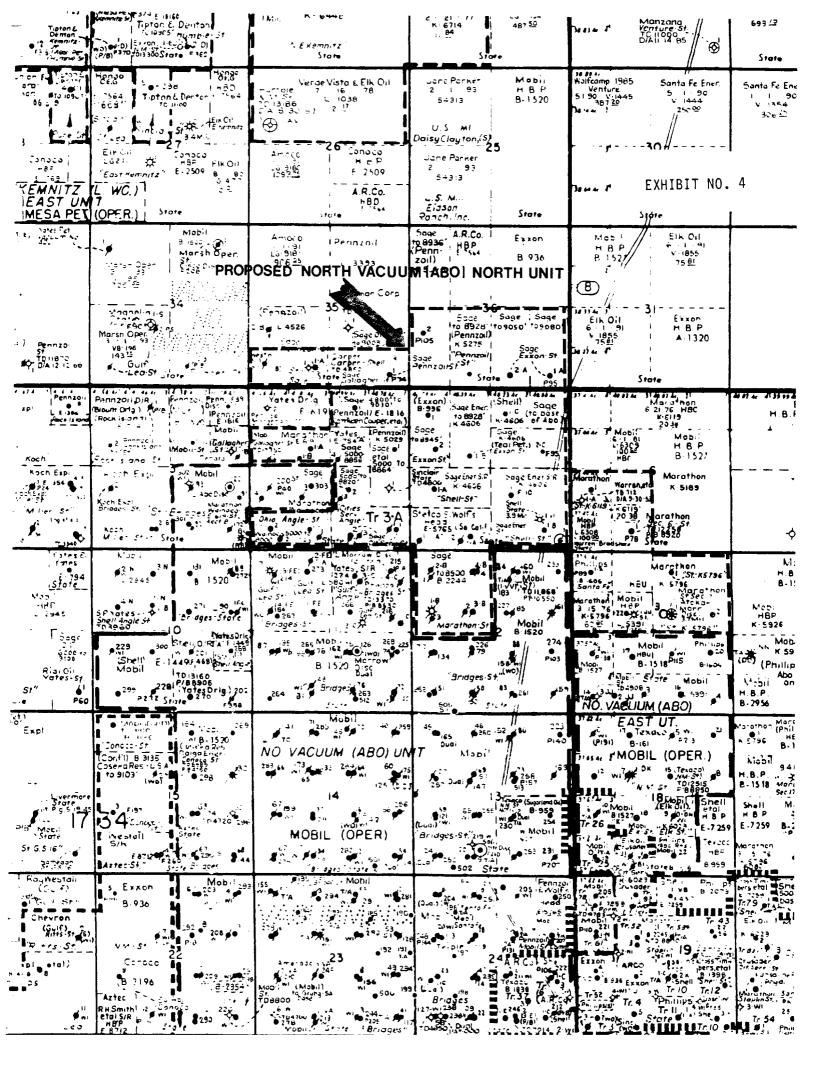
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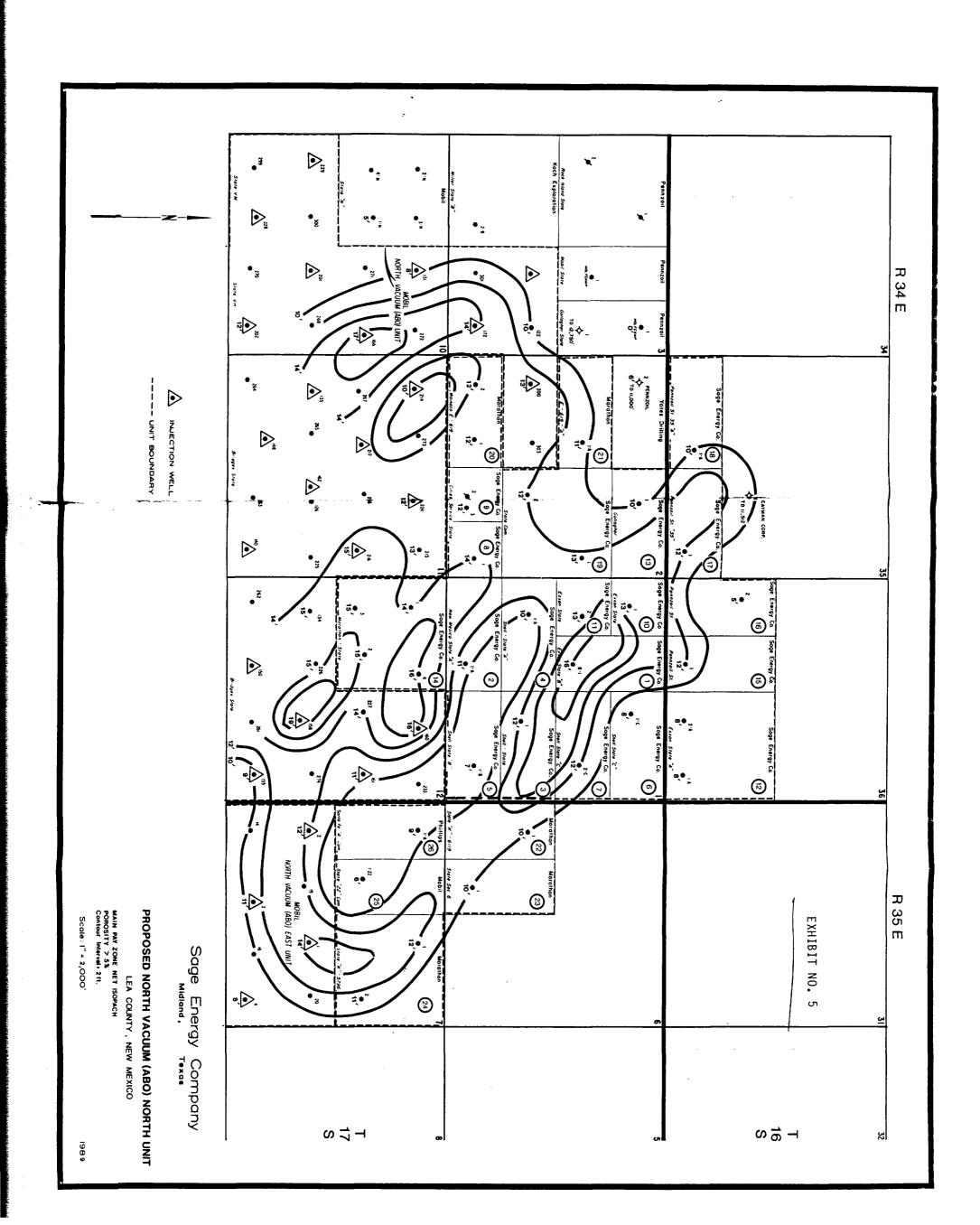
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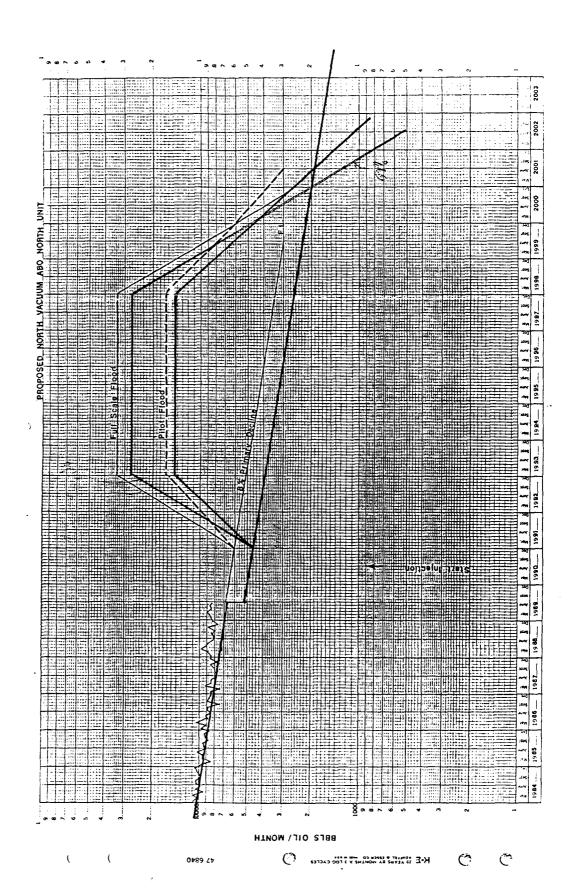


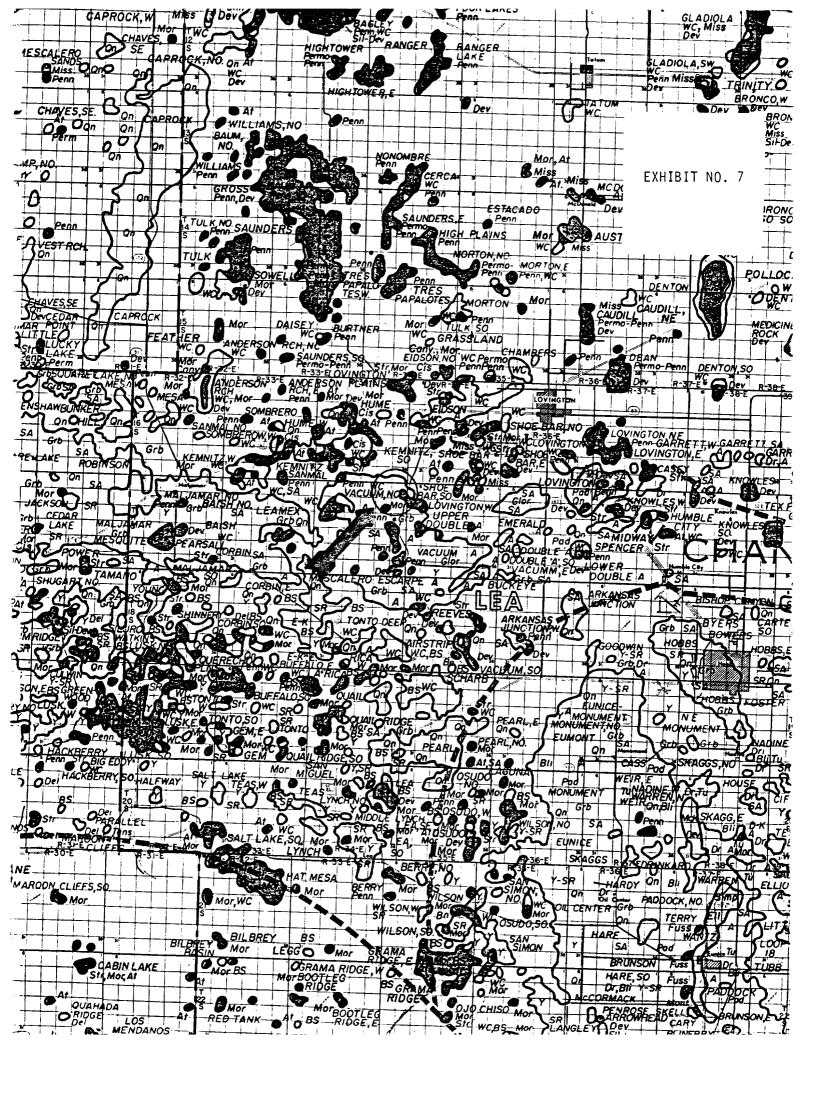
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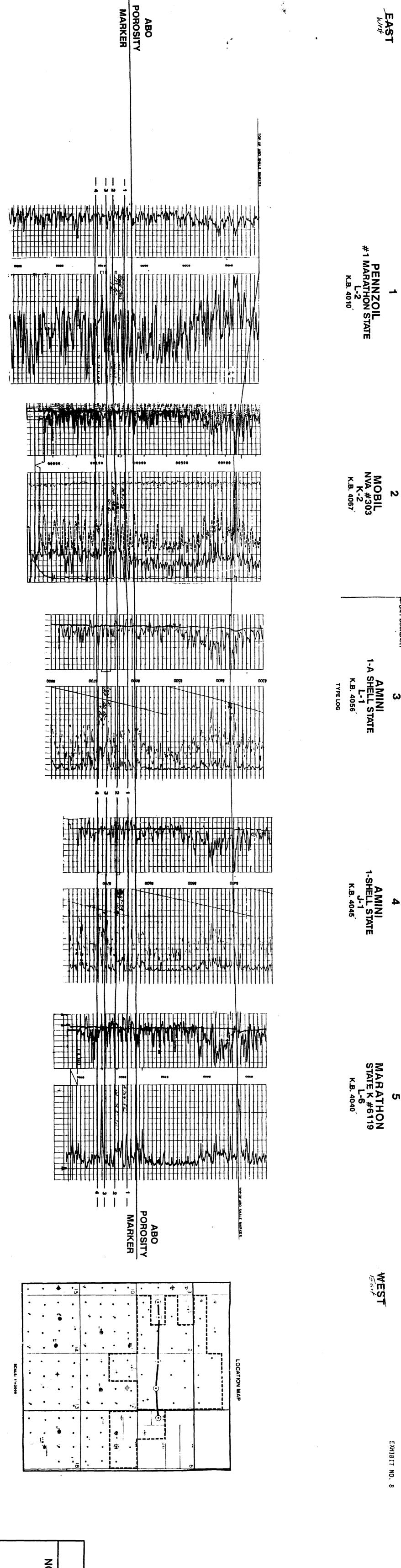
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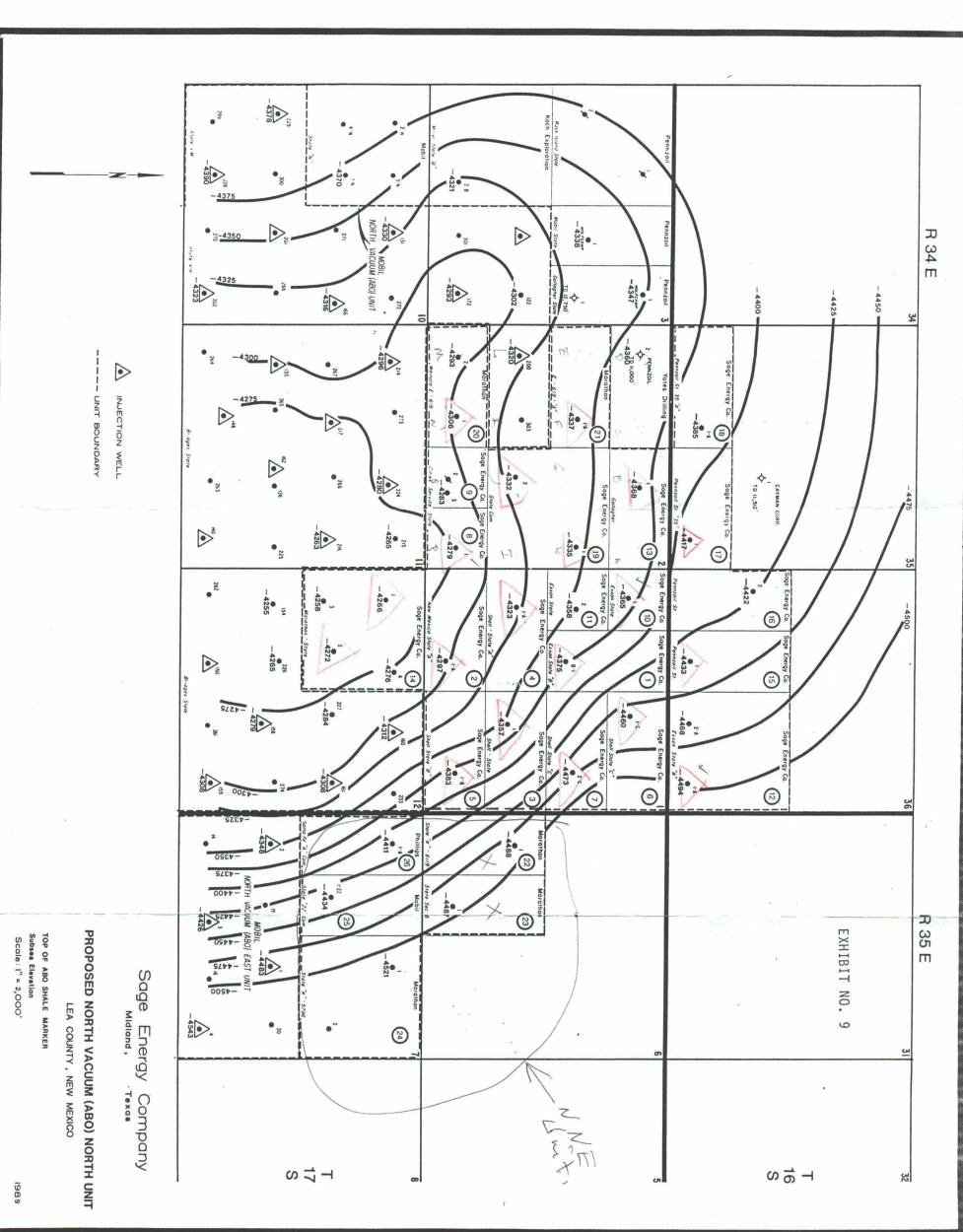


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DATE: TIME: FILE:		T NO. 13	CASH FLOW BIAX, M\$	-7007.520 -601.646	788.138	3577.175 4189.172	4048.362	4334, 701	3800.854		17.746		18774.977	000.	18774.977	WORTH PROFILE	RATE	30.0	4.0.0 0.0	60.0 60.0	70.0	90.06	100.0
		EXHIBIT	CAPITAL COSTS, M\$	6272.400	000	000.	000.	300	000		000.		6272.400	000	6272,400	DE OF NET	BTAX, M\$	18774.977	9180.670	7521.022 6070.652	4221.877	2693.157 1819.618	38.018
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	0 E O Z	0	OPERATIONS, ER SEV+ADV+ ES WF TAXES		112, 140	317.464	366.875	411.215	377,659		18.046		2527.306	000.	2527, 306	32330,887	36857, 216	10, 171	000.	15,000			
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	ш I ш I		DUCTION GAS, MMCF	11.733	133.891	379.044 432.839	438.042	446.000 490.088	450.918		21.546		3017.552	.000	3017.552	NET OIL R	<u>ا</u> ا	COUNT	ກິດ	GROSS WELLS			
IT NORTH			Ä	. 000	76.510	247.336	850, 309	280,361	257,667		91 91 91		1724, 314	000.	1724.314			25.14	3.99	e. 20			
ACUUM ARO UN		16 1/000	ODUCTION GAS, MMCF	13.540	154.512	437, 423	505,507	566,601	520,366	 ! .	24.864		3482, 300	.000	3482,300	• 000	3482.300	4 (PCT)	ני	JEST (DISC)			
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SUMMAR ⁾			-END- MO-YR	6-91	693	6-94 6-95	96-9	6-39 8-98	69		იტტტ 1 1 1 1 1 1 1	9 -9	S TOT	REM.	TOTAL	מחש.	ULT.			BTAX NE			

EXHIBIT No. 14 A

Waterflood Capital Investment

(Revised 12/89)

Pilot Flood

Cement lined injection lines (13,400')	\$	107,000
Ditching and burying		28,200
Connections, valves and meters		8,000
Roustabout labor		30,000
Drill two producing wells at \$432,000 per well		864,000
Convert eight producing wells to injection at \$25	,000	•
per wel	L	200,000
Misc.		34,800
•		
	\$	1,272,000
Fresh Water Station		
Drill and equip two fresh water wells (4800 BPD) 2 J-165 National Triplexes 150 HP electric motors	\$ ski	10,00 0
mounted.		150,000
Piping and triplex hookup		50,000
1 500 bbl fresh water tank		15,000
Misc.		30,000
rusc.		30,000
	\$	255,000
Total Pilot	\$	1,527,000

SAGE ENERGY COMPANY

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

EXHIBIT NO. 15

July 18, 1990

Working Interest Owners North Vacuum (Abo) North Unit Lea County, New Mexico

Formation of Subj: Revised Unit

Gentlemen:

Since Sage's last Technical Committee meeting of January 3, 1990, Marathon has proposed forming the North Vacuum (Abo) Northeast Unit consisting of Tracts 22 through 26. Consequently, Sage has revised the unit size (see attached plat) and has recalculated each working interest owner's expense and revenue interest based on the Unit participation formula of 60% x Ultimate Primary plus 40% x Current Rate.

Enclosed is a revised Exhibit No. 3 based on the reduced unit size, a new unit boundary plat, and new Tables 3 and 4. Table 3 shows Unit participation by Tract for the working interest and net revenue interest ownership. Table 4 sums the working and net revenue interest Unit participation by working interest owner as shown in the last two columns. Also, enclosed is a ballot requesting that the owners approve the formation of the revised Unit. Concurrently, Sage is preparing a Unit agreement.

The non-escalated incremental economics (BFIT) based on the posted price of \$18.75/bbl are as follows:

	Pilot Flood	Full Scale	
Capital Investment Cash Flow Present Worth @ 10% Payout years Rate of Return	\$ 1,527,000 \$11,531,103 \$ 5,631,480 3.88 42.56%	\$ 4,745,400 \$20,301,977 \$ 9,048,022 4.41 31.08%	. .
Gross Oil Reserves	1,077,256 bbls	1,989,886	DDIS

SAGE ENERGY COMPANY

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Exhibit "5 A

August 30, 1990

Working Interest Owners North Vacuum (Abo) North Unit Lea County, New Mexico

Subject: Revision of Full Scale Economics

Gentlemen:

Sage Energy Company's letter of July 18, 1990, incorrectly stated the capital investment for the full scale waterflood. Instead of being \$4,272,400, it should have been \$6,272,400. The revised full scale incremental economics are as follows:

	<u>Pilot Flood</u>	Full Scale
Capital Investment	\$1,527,000	\$6,272,400
Cash Flow	\$11,531,103	\$18,774,977
Present Worth @ 10%	\$5,361,480	\$7,521,022
Payout, Years	3.88	4.77
Rate of Return	42.56%	25.14%
Gross Oil Reserves	1,077,256 Bbls	1,989,886 Bbls

Since this more than meets Sage's economic criteria, Sage plans to proceed as outlined in its letter of July 18th.

y/truly yours

Jay/H. Hardy

ice President Engineerin

Tables

3 and 4

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10% CK+ 60% CLP Table 3 Revised 9/28/90

UNIT PARTICIPATION REVENUE NRI	0.0205561 0.0025870 0.0008390 0.0008390 0.0008740 0.0005593 0.001187 0.0023420 0.0023420 0.0372900	0.0071995 0.0062601 0.0005181 0.0003454 0.0012979 0.0016109 0.0016109 0.0016109 0.0016109 0.0016109 0.0016109 0.0016109 0.0016109 0.0016109 0.0016109	0.0040519 0.0010805 0.0006753 0.0006753
TON E	0.0274082 0.0034493 0.0011187 0.0011653 0.0017458 0.0077458 0.0014916	0.0107455 0.0093434 0.0097732 0.0005155 0.0043972 ******	0.0054025 0.0014407 0.0009004 0.0009004
TRACT UNIT PARTICIPATION PARTICIPATION PARTICIPATION EXPENS: ************************************	0.0372900 0.0372900 0.0372900 0.0372900 0.0372900 0.0372900 0.0372900 0.0372900 0.0372900	0.0257748 0.0257748 0.0257748 0.0257748 0.0257748 0.0257748 0.0257748 0.0257748 0.0257748 0.0257748	0.0288135 0.0288135 0.0288135 0.0288135
NET NRI	0.551249 0.062375 0.022300 0.023438 0.023438 0.015000 0.015000 0.015000 0.015000 0.062803 ************************************	0.279323 0.242875 0.020100 0.013400 0.117950 0.015625 0.062500 0.008300 0.008391 0.008291 0.008291 0.015625 1.000000	0.140624 0.037500 0.023438 0.023438 0.525000
GROSS WI	0.735000 0.092500 0.031250 0.031250 0.020000 0.020000 0.040000 1.000000	0.416900 0.362500 0.030000 0.170600 1.000000	0.187500 0.050000 0.031250 0.031250 0.700000
TYPE	W W W W W W W W W W W W W W W W W W W	WI WI WI WI WI WI ORR ORR ORR ORR ORR	HHHH 23.23.3
TRACT LEASE/WELLS OWNER TY.	SAGE ENERGY COMPANY FARCO ENERGY MARSHALL LEAF SEBRT L PATE CHARLES ROBBINS ELIZABETH ROBBINS SECA LID. STATE OF NEW MEXICO STATE OF NEW MEXICO SAGE ENERGY COMPANY EXXON CORPORATION	*1 SAGE ENERGY COMPANY FARGO ENERGY SECA LTD. BRIAN BURNS WAINOCO E A CULBERTSON WALLACE IRWIN SCOPE INDUSTRIES HAROLD JONES PENNZOIL STATE OF NEW MEXICO R H HANNIFIN J A DAVIDSON KATHLEEN IRWIN CULBERTSON MANAGEMENT INC.	FARGO ENERGY BRIAN BURNS ESTATE OF A M PATE JR. SEBERT L PATE SAGE ENERGY COMPANY
LEASE/WELLS	EXXON STATE "B" #1	2 NEW MEXICO STATE A	SHELL STATE
TRACT	1 EX	2 N	3 SH

	# # # # #		TYPE GROSS WI NET NRI PARTICIP ***********************************	NET NRI	ATION	UNIT PARTICIPATION EXPENSE WI	UNIT PARTICIPATI REVENUE ***********************************
STATE OF NEW MEXICO		RI	1.00000	1.00000	0.0288135 0.0288135	0.000000 0.0000000 ******* 0.0288135	0.0036017 0.0036017 ******** 0.0288135
FARGO ENERGY ESTATE OF A M PATE JR. SEBERT I. PATE SECA LID. SAGE ENERGY STATE OF NEW MEXICO SAGE ENERGY		WI WI WI WI ORR	0.202500 0.031250 0.063020 0.675000 ********	0.151874 0.023438 0.023438 0.045000 0.506250 0.125000 **********************************	0.0315766 0.0315766 0.0315766 0.0315766 0.0315766	0.0063942 0.0003868 0.0018946 0.0213142 ********	0.0047957 0.0007401 0.0007401 0.0014209 0.0159856 0.0039471 ********
SAGE ENERGY COMPANY FARCO ENERGY ESTATE OF A M PATE JR. SEBERT L PATE CHARLES ROBBINS ELTABETH ROBBINS SECA LTD. SAGE ENERGY COMPANY STATE OF NEW MEXICO		WWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWW	0.697500 0.100000 0.031250 0.010000 0.120000 0.120000	0.523124 0.023438 0.023438 0.007500 0.007500 0.090000 0.125000 ********	0.0403324 0.0403324 0.0403324 0.0403324 0.0403324 0.0403324 0.0403324 0.0403324	0.0281318 0.0046332 0.0012604 0.0012604 0.0004033 0.0048400 ********	0.0210988 0.0010459 0.0009453 0.0009453 0.0001025 0.001025 0.0016299 0.0050416 0.0050416
1 FARGO ENERGY MARSHALL LEAF ESTATE OF A M PATE SEBERT L PATE SAGE ENERGY COMPANY SAGE ENERGY COMPANY STATE OF NEW MEXICO		WI WI WI WI ORR	0.060000 0.020000 0.031250 0.031250 0.857500 ********	0.045000 0.015000 0.023438 0.023438 0.643124 0.125000 0.125000 *********	0.0303403 0.0303403 0.0303403 0.0303403 0.0303403 0.0303403	0.0018204 0.0006068 0.0009481 0.0260169 *******	0.0013653 0.0004551 0.0007111 0.0107111 0.0037925 0.0037925 0.0037925
7 SHELL STATE "C" NO. FARGO ENERGY		WI	0.08000	0.060000	0.0534556	0.0042764	0.0032073

UNIT PARTICIPATION REVENUE NR	018 529 529 620 758 7820	0.0110481 0.0016414 0.002052 0.002052 0.001284 0.0012824 0.0045084 0.0045094	0.0386275 0.0007173 0.0057390 0.0057390 0.0303089 0.0151259 ********	0.0137524 0.0137524 0.039292 *******
UNIT PARTICIPATION EXPENSE WI	0.0010691 0.0016705 0.0016705 0.0065346 0.0442345	0.0126264 0.0018759 0.0002345 0.0002345 0.0097313 0.0014656 0.0099072 *******	0.0441458 0.0041198 0.03402139 0.0055588 0.03463187 0.03463187 0.03463187 0.1210068	0.0157170 0.0157170 *********
TRACT PARTICIPATION W	0.0534556 0.0534556 0.0534556 0.0534556 0.0534556 0.0534556	0.0360754 0.0360754 0.0360754 0.0360754 0.0360754 0.0360754 0.0360754	0.1210068 0.1210068 0.1210068 0.1210068 0.1210068 0.1210068	0,0314340 0,0314340 0,0314340
NET NRI	0.015000 0.023438 0.023438 0.007500 0.125000 *******	0.306250 0.045500 0.005688 0.005688 0.236031 0.236031 0.240296 0.125000 *********	0.319218 0.005928 0.246026 0.047427 0.005928 0.250473 **********	0.437500 0.437500 0.125000 ********
GROSS WI	0.020000 0.031250 0.031250 0.010000 0.827500	0.350000 0.052000 0.06500 0.269750 0.24625 *******	0.364821 0.006775 0.281173 0.064202 0.006775 0.286254 ********	0.500000 0.500000 *******
TYPE	W WI W WI W W I W I W I W I	722222 1111111111	WI WI WI RI V	WI WI RI
TRACT LEASE/WELLS OWNER	MARSHALL LEAF ESTATE OF A M PATE SEBERT L PATE CHARLES ROBBINS SAGE ENERGY COMPANY SAGE ENERGY COMPANY SAGE ENERGY COMPANY STATE OF NEW MEXICO	E NO. 1 OXY USA INC. MARTHA V. LEONARD WESTERN LEASING GLENN BURTON FARGO ENERGY VIVERSITY OIL SAGE ENERGY COMPANY STATE OF NEW MEXICO	3 OXY USA INC, WESTERN LEASING FARGO ENERGY MARTHA V. LEONARD GLENN BURTON SAGE ENERGY COMPANY STATE OF NEW MEXICO	EXXON FARGO ENERGY STATE OF NEW MEXICO
LEASE/WELLS		CITIES SERVICE STATE NO. OXY DXY DXY DXY DXY DX DXY DX	CITIES SERVICE NO.	10 EXXON STATE NO. 1
TRACT		8 CII	9 CIII	10 EXX

	UNIT PARTICIPATIO REVENUE NRI	* * * *	0.0039251 0.0235508 0.0039251 *******	0.0172947 0.0071340 0.00713836 0.0005405 0.0005405 0.0005405 0.0005405 0.0005188 0.0005188 0.00068313 0.0049413 ********	0.0027897 0.000139 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557 0.0000557
	UNIT PARTICIPATION EXPENSE WI	水水水 化水水水水水水水水水水水水水水水水	0.0314010 ******** 0.0314010	0.0197652 0.0081532 0.0015812 0.0006177 0.0001976 0.001976 0.001976 0.0019760 0.0019760	0.00011881 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637 0.0000637
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	NRI	· · · · · · · · · · · · · · · · · · ·	0.125000 0.750000 0.125000 ********	0.437500 0.180469 0.013672 0.013672 0.013125 0.004375 0.12812 0.128812 0.128812 0.128812 0.128812	0.0057818 0.0002818 0.00010149 0.0011149 0.0011149 0.0011149 0.0011149 0.0011149 0.0011149 0.001149 0.001149 0.001149 0.001149
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UNIT PARTICIPATION REVENUE NRI	0.000279 0.0022068 0.0008620 0.0038612 0.0138612 0.0097919 0.0060625 ******	0.0047302 0.0015767 0.0031534 0.00431534 0.1434815 0.0394180 0.0284185 *********	0.0002342 0.0005854 0.0005854 0.0005811 0.0001171 0.00095711 0.0005815 0.0005815 0.0005815 0.0005815 0.0005815 0.0005815 0.0005815 0.0005815	0.0002239 0.0005597 0.0004477 0.0006996 0.0001119
UNIT PARTICIPATION EXPENSE WI	0.0000318 0.0025220 0.0009852 0.0158412 0.011907	0.0067574 0.0025524 0.0045049 0.0067574 0.2049736 *******	0.0002771 0.0005928 0.0005542 0.0008660 0.0001386 0.01386 0.013271 ********	0.0002985 0.0007465 0.0005970 0.000328 0.0122011
TRACT PARTICIPATION WI	0.0484 0.0484 0.0484999 0.0484999 0.0484999 0.0484999	0.2252457 0.2252457 0.2252457 0.2252457 0.2252457 0.2252457 0.2252457	0.0207836 0.0207836 0.0207836 0.0207836 0.0207836 0.0207836 0.0207836 0.0207836	0.0149248 0.0149248 0.0149248 0.0149248 0.0149248
NET NRI	0.000574 0.045500 0.017774 0.017774 0.285797 0.125000 *********	0.021000 0.007000 0.014000 0.021000 0.637000 0.175000 **********	0.011267 0.028167 0.022533 0.035208 0.035634 0.460524 0.030000 0.100000	0.015000 0.037500 0.030000 0.046875 0.007500
GROSS WI	0.000656 ° ° ° ° ° ° ° ° ° ° ° ° ° ° ° ° ° °	0.010000 0.010000 0.020000 0.030000 0.930000 1.00000 1.00000	0.01333 0.0313133 0.026667 0.006667 0.133133 0.545000 ****	0.020000 0.050000 0.040000 0.062500 0.010000
KPE *****	M. M. W. W. M.	WI WI WI ORR	WI WII WII WII RI	MAKEN KA
TRACT LEASE/WELLS OWNER T	STEPHEN LAWERENCE KNIEREIM HARTHA V LEONARD ESTRIE OF A M PATE JR. SEBERT L PATE FARGO ENERGY SAGE ENERGY COMPANY STATE OF NEW MEXICO	MARSHALL LEAF CHARLES ROBBINS ELIZABETH ROBBINS SECA LTD. SACE ENERGY COMPANY MARATHON OIL STATE OF NEW MEXICO	MARSHALL LEAF NELSON BREINING SECA LTD. CHIVERSITY OIL CHARLES ROBBINS PENNZOIL SAGE ENERGY COMPANY JOHN EDDY STATE OF NEW MEXICO	ARSHALL LEAF NELSON BREINING SECA LTD. UNIVERSITY OIL CHARLES ROBBINS SAGE ENERGY COMPANY
LEASE/WELLS		14 MARATHON STATE	15 PENNZOIL STATE NO.	16 PENNZOIL STATE NO.
TRACT		14 MAF	15 PES	16 PEN

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TRACT LEASE/WELLS	TRACT LEASE/WELLS OWNER	TYPE	GROSS WI	NET NRI	TRACT PARTICIPATION WI	UNIT PARTICIPATION EXPENSE WI	UNIT PARTICIPATION REVENUE NRI
	PENNZOIL JOHN EDDY STATE OF NEW MEXICO	ORR ORR RI	**************************************	0.095000 0.030000 0.125000 ********	0.0149248 0.0149248 0.0149248	****** 0.0149248	0.0014179 0.0004477 0.0018656 *******
17 PENNZOIL STATE 35	NO. 1 PENNZOIL EONARD MARTHA V. LEONARD ESTATE OF A M PATE SEBERT L PATE FARGO ENERGY SAGE ENERGY COMPANY STATE OF NEW MEXICO		0.350000 0.052000 0.052000 0.33133 0.224249 *********************************	0.306250 0.045500 0.017774 0.017774 0.29184 0.196218 0.196218 1.000000	0.0201703 0.0201703 0.0201703 0.0201703 0.0201703 0.0201703	0.0070596 0.0010489 0.0004097 0.0067192 0.0045232 *******	0.0061772 0.0009177 0.0003585 0.0003585 0.005879 0.0025213 *******
PENNZOIL STATE 35	"A" NO. 1 NELSON BREINING SAGE ENERGY COMPANY PENNZOIL NEW MEXICO STATE OF NEW MEXICO	WI WI ORR RI	0.020000 0.980000 *******	0.014400 0.705600 0.155000 ********	0,0075426 0,0075426 0,0075426 0,0075426	0.0001509 0.0073917 ********	0.0001086 0.0053221 0.0011691 0.0009428 ********
STATE COMMUNITIZED NO. HAN HAN UND. WE GL. FAIL FAIL WAS SAIL STATE STAT	D NO. 1 MARTIA V. LEONARD UNIVERISTY OIL WESTERN LEASING GLENN BURTON FARGO ENERGY PENNZOIL WALNOCO OXY USA INC. SAGE ENERGY COMPANY STATE OF NEW MEXICO	N N N N N N N N N N N N N N N N N N N	0.052000 0.040625 0.040625 0.006500 0.279500 0.135184 0.1759016 0.1759016 1.00000	0.045500 0.035546 0.035688 0.005688 0.244568 0.18286 0.153125 0.1251000 0.1251765 0.125000	0.0365491 0.0365491 0.0365491 0.0365491 0.0365491 0.0365491 0.0365491	0.0019005 0.0014848 0.0002376 0.0002376 0.0102155 0.0014552 0.0063961 0.0063961 0.0063961	0.0016630 0.0012992 0.0012079 0.0089308 0.0089308 0.0012733 0.0012733 0.0012733 0.0055968 0.004568
STATE COMMUNITIZED NO.	D NO. 2 MARTHA V. LEONARD	WI	0.0520000	0.0455000	0.0365491	0.0019005	0.0016630

*	TRACT LEASE/WELLS OWNER		GROSS WI	NET NRI	TYPE GROSS WI NET NRI PARTICIPATION PARTICIPATION EXPENSE WI	*	UNIT PARTICIPATION REVENUE ***********************************
ESTATE OF A M PATE JR. SEBERT L PATE WESTERN LEASING GLENN BURTON FARGO ENERGY FARGO ENERGY WAINOCO OXY USA INC. SAGE ENERGY COMPANY STATE OF NEW MEXICO		**************************************	0.0203130 0.0203130 0.0065000 0.2795000 0.1351840 0.1750000 0.1750000 1.000000	0.017730 0.017730 0.0157430 0.0056880 0.1445630 0.1182860 0.1531250 0.2317650 0.1250000	0.0165491 0.0165491 0.0165491 0.0165491 0.0165491 0.0165491 0.0165491 0.0165491	0.0007424 0.0002376 0.0002376 0.002376 0.0049409 0.0014552 0.0014552 0.0053961 0.0053961	0.0006496 0.0006496 0.0006496 0.0002079 0.001231 0.001231 0.001231 0.001231 0.001231 0.001231 0.001231 0.001231 0.001231 0.001231
PENNZOIL WAINOCO MARATHON STATE OF NEW MEXICO		ORR WI WI RI	0.500000 0.500000 *******	0.043750 0.393750 0.437500 0.125000 *******	0.0662843 0.0662843 0.0662843 0.0662843	0.0331421 0.0331422 *******	0.008999 0.0289995 0.0289994 0.00828858 ******
MARATHON OIL STATE OF NEW MEXICO		MI RI	1.000000	0.875000 0.125000 ********	0.0164197 0.0164197	0.0164197 0.0000000 ******* 0.0164197 1.0000000	0.0143672 0.0143672 ************ 0.0164197 1.000000

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408CR + 602 UP

Table 4 Revised 9/2P/90 UNIT PARTICIPATION REVENUE	NRI ********** 0.0010805 0.0003454	0.0014259	0.0027897	0.0027897	0.0028314	0.0028314	0.0000557	0.0000557	0.0000557	0.0000557	0.0005593	0.001119	0.0004009 0.0001171 0.0001729	0.0032413	0.0000557	0.0000557	0.0000557	0.0000557
UNIT Participation Expense	**************************************	0.0019562	0.0031881	0.0031881	0 {0032358	0.0032358	0.0000637	0.0000637	0.0000637	0.0000637	0.0007458	0.0001492	0.0003386 0.0001386	0.0044215	0.0000637	0.0000637	0.0000637	0.0000637
TRACT PARTICIPATION	######################################		0.0484999		0.0484999		0.0484999		0.0484999		0.0372900	0.0149248	0.0207836 0.0395305		0.0484999		0.0484999	
NET NRI	ŧ		0.057518		0.058379		0.001149		0.001149		0.015000	0.007500	0.005634		0.001149		0.001149	
GROSS WI	**************************************		0.065734	÷.	0.066719		0.001313		0.001313		0.020000	0.0000000000000000000000000000000000000	0.006667		0.001313		0.001313	
TYPE			W		WI		R WI		R II WI		3 X X	+ H + - M - M	I M		IM ~		WI	
TRACT OWNER	**************************************	TOTAL	13 C R GALLAGHER	TOTAL	13 CHARLEEN G KNIERIEM	TOTAL	13 CHARLES BERNARD GALLAGHER	TOTAL	13 CHARLES RAYMOND GALLAGHER	TOTAL	1 CHARLES ROBBINS 5 CHARLES ROBBINS	16 CHARLES ROBBINS 16 CHARLES ROBBINS 17 CHARLES ROBBINS	CHARLES	TOTAL	13 CHRISTINE GALLAGHER SEGER	TOTAL	13 CHRISTOPHER W KNIERIEM	TOTAL

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	UNIT PARTICIPATION REVENUE NRI	0.0004027	0.0000557	0.0004027	0.0005593 0.001534 0.0003025 0.0040152	0.0009453 0.0012529 0.0006753 0.0007111 0.0007401 0.0008620 0.0003582 0.000496	0.0137524 0.0172947 0.0039251 0.0023193	0.0235508 0.0137524 0.0062601 0.0058793 0.0138612
· · · · · ·	UNIT PARTICIPATION EXPENSE ***********************************		0.0000637		0.0007458 0.0045049 0.0004033 0.0056540	0.0012604 0.0016705 0.00106705 0.0011653 0.0009868 0.0009868 0.0009868 0.0009868 0.0009868 0.0009868	0.0157170	0.0314010 0.0157170 0.0093434 0.0067192 0.0158412
* V	TRACT PARTICIPATION WI ***********************************	0.0257748	0.0484999	0.0257748	0.0372900 0.2252457 0.0403324	0.0534556 0.0534556 0.0534556 0.0372900 0.0303400 0.0303400 0.0201700 0.0201700 0.0365491	0.0314340 0.0395305 0.0314010 0.0372900	0.0314010 0.0314340 0.0257748 0.0201703 0.0484999
r, 1	NET NRI	0.015625	0.001149	0.015625	0.015000 0.014000 0.007500	0.023438 0.023438 0.023438 0.023438 0.023438 0.01774 0.01777	0.437500 0.437500 0.125000 0.062197	0.750000 0.437500 0.242875 0.291484 0.285797 0.246026
·	GROSS WI		0.001313		0.020000 0.020000 0.010000	0.031250 0.031250 0.031250 0.031250 0.031250 0.020313 0.020313	0.500000	1.00000 0.50000 0.36250 0.33125 0.286625
j. Č	*	ORR	MI	ORR	HHH MAN	111111111111 2222222	WI WI ORR ORR	HEILIE
	TRACT OWNER TYPE	2 CULBERTSON MANAGEMENT INC. TOTAL	13 DELPHINE POPE KELLER TOTAL	2 E A CULBERTSON TOTAL	1 ELIZABETH ROBBINS 14 ELIZABETH ROBBINS 5 ELIZABETH ROBBINS TOTAL	5 ESTATE OF A M PATE JR. 7 ESTATE OF A M PATE JR. 1 ESTATE OF A M PATE JR. 1 ESTATE OF A M PATE JR. 6 ESTATE OF A M PATE JR. 1 ESTATE OF A M PATE JR. 13 ESTATE OF A M PATE JR. 17 ESTATE OF A M PATE JR. 18 ESTATE OF A M PATE JR. 19 ESTATE OF A M PATE JR. 12 ESTATE OF A M PATE JR.	10 EXXON 12 EXXON 11 EXXON 1 EXXON TOTAL	11 FARGO EMERGY 10 FARGO ENERGY 2 FARGO ENERGY 17 FARGO ENERGY 9 FARGO ENERGY

UNIT TICIPATIO REVENUE NRI	**************************************	0.1456329	0.0000557	0.0007173 0.0002079 0.0002079 0.0002052	0.0015112	0.0000557	0.0026921	0.0002139	0.0002137	0.0004477
UNIT ARTICIPATION EXPENSE WI	**************************************	0.1767372	0.0000637	0.0008198 0.0002376 0.0002376 0.0002345	0.0017270	0.0000637	0.0030767			
TRACT PARTICIPATION WI	ጉ ቁ ቁ ቁ		0.0484999	0.1210068 0.0365491 0.0365491 0.0360754		0.0484999	0.0484999	0.0257748	0.0257748	0.0149248
NET NRI	**************************************		0.001149	0.005928 0.005688 0.005688 0.005688		0.001149	0.055507	0.008300	0.008291	0.030000
ROSS WI	**************************************		0.001313	0.006775 0.006500 0.006500 0.006500		0.001313	0.063438			
TYPE	K W W W I W W W I W W W I W W W I W W W I W W W I W W W I W W W I W W W W I W W W I W		M	HIHHH 8 8 8 8 8		MI	WI	ORR	ORR	ORR ORR
ACT	**************************************	TOTAL	13 FRANCES HERNDON TOTAL	9 GLENN BURTON 198 GLENN BURTON 19A GLENN BURTON 8 GLENN BURTON 12 GLENN BURTON	TOTAL	13 GREGORY CHARLES GALLAGHER TOTAL	13 GREGORY J GALLAGHER TOTAL	2 HAROLD JONES TOTAL	2 J A DAVIDSON TOTAL	16 JOHN EDDY 15 JOHN EDDY

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UNIT PARTICIPATION REVENUE NRI ***********************************	0.0000557	0.0004027	0.0289994 0.0143672 0.0394180 0.0827846	0.0000557	0.0008390 0.0047302 0.0008018 0.0002239 0.0002342 0.0072842	0.0022068 0.0057390 0.0016630 0.0016630 0.00177 0.001831 0.0152145	0.0000139
*	0.0000637	4 0.	0.0331422 0.0164197 0.0495619	0.0000637	0.0011187 0.0067574 0.0010691 0.0002985 0.0006068 0.0002771	0.0025220 0.005588 0.0019005 0.0010489 0.0018759 0.0015812	0.0000159
GROSS WI NET NRI PARTICIPATION PARTICIPATION EXPENSE WI WI WI WI WI WI	0.0484999	0.0257748	0.0662843 0.0164197 0.2252457	0.0484999	0.0372900 0.2552457 0.034556 0.0149248 0.0303403	0.0484999 0.1210068 0.0355491 0.0355491 0.0201703 0.0360754	0.0484999
NET NRI	0.001149	0.015625	0.437500 0.875000 0.175000	0.001149	0.022500 0.021500 0.015000 0.015000 0.01267	0.045500 0.047427 0.045500 0.045500 0.045500 0.045500	0.000287
	0.001313	٠.	0.500000	0.001313	0.030000 0.030000 0.020000 0.020000 0.02000	0.052000 0.054202 0.052000 0.052000 0.052000 0.052000	0.000328
TYPE	M	ORR	WI WI ORR	¥	WI WI WI		WI
TRACT OWNER TYPE	13 KATHLEEN GALLAGHER COOPER TOTAL	2 KATHLEEN IR"IN TOTAL	20 MARATHON OIL 21 MARATHON OIL 14 MARATHON OIL TOTAL	13 MARGUERETTE GALLAGHER PRICE TOTAL	1 MARSHALL LEAF 14 MARSHALL LEAF 7 MARSHALL LEAF 16 MARSHALL LEAF 6 MARSHALL LEAF 15 MARSHALL LEAF TOTAL	13 MARTHA V. LEONARD 9 MARTHA V. LEONARD 19A MARTHA V. LEONARD 19B MARTHA V. LEONARD 17 MARTHA V. LEONARD 8 MARTHA V. LEONARD 12 MARTHA V. LEONARD TOTAL	13 MARY B GALLAGHER TOTAL

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UNIT UNIT PARTICIPATION EXPENSE REVENUE NRI	**************************************	0.0000637 0.0000557 0.0000637 0.0000557	0.0000637 0.0000557	0.0000637 0.0000557 0.0000637 0.0000557	0.0000637 0.0000557 0.0000637 0.0000557	0.0031403 0.0027479 0.0031403 0.0027479	0.0000637 0.0000557	0.0007462 0.0005597 0.0005854 0.0001509 0.0015899 0.0015537	0.0441458 0.0386275 0.0126264 0.0110481 0.0063961 0.0055966 0.0063961 0.0055966	0.0070596
TRACT PARTICIPATION WI	**************************************	0.0484999	0.0484999	0.0484999	0.0484999	0.0484999	0.0484999	0.0149248 0.0207836 0.0075426	0.1210068 0.0160754 0.0365491 0.0365491	0.0201703
NET NRI	**************************************	0.001149	0.001149	0.001149	0.001149	0.056656	0.001149	0.037500 0.028167 0.014400	0.319218 0.306250 0.153125 0.153125	0.306250
GROSS WI	***************************************	0.001313	0.001313	0.001313	0.001313	0.064750	0.001313	0.050000	0.364821 0.350000 0.175000 0.175000	0.350000
		H	WI	WI	WI	WI	W	N X N N I I I	H H H H H M M M M M M M M M M M M M M M	WI
TRACT OWNER	**************************************	13 MARY HERNDON RAY TOTAL	13 MARY KNIERIEM TAYLOR TOTAL	13 MARY MARGARETTE POPE TOTAL	13 MICHAEL JOSEPH GALLAGHER TOTAL	13 NATALIE G POPE TOTAL	13 NATALIE POPE TOTAL	16 NELSON BREINING 15 NELSON BREINING 18 NELSON BREINING TOTAL	9 OXY USA INC. 8 OXY USA INC. 198 OXY USA INC. 19B OXY USA INC. TOTAL	17 PEMNZOIL

UNIT PARTICIPATION REVENUE ***********************************	0.0058541 0.0043232 0.0041232 0.0014179 0.0010689	0.0272335	0.0000557	0.0002137	0.0000557	0.0000557	0.0159856 0.0053221 0.0194815 0.0195127 0.03317508 0.0205561 0.01512988 0.00150888 0.00150888 0.00150888 0.00150888 0.00150888 0.001508688 0.001508688 0.001509999 0.0015099999
UNIT PARTICIPATION EXPENSE WI	0.0069278 0.0049409 0.0049409	0.0238691	0.0000637		0.0000637	0.0000637	0.0213142 0.0073917 0.0269736 0.0269736 0.026169 0.0122011 0.02016982 0.02016982 0.021318 0.0113271 0.0113271 0.0096809 0.0096809 0.0096809 0.0096809
TRACT PARTICIPATION WI	0.0207836 0.0365491 0.0365491 0.0149248 0.0257748 0.0075426		0.0484999	0.0257748	0.0484999	0.0484999	0.0015766 0.00754626 0.02034657 0.0534556 0.0149248 0.0149248 0.020788135 0.0207836 0.0207836 0.0207836 0.0365491 0.0365491 0.0365491 0.0365491 0.0365491 0.0365491 0.0365491 0.0365491
NET NRI	0.118286 0.118286 0.018286 0.095000 0.041470 0.155000		0.001149	0.008291	0.001149	0.001149	0.506250 0.7056250 0.63124 0.623124 0.613124 0.5251249 0.5251249 0.255020 0.255020 0.235020 0.231765 0.231765 0.231765 0.126002
4	33333333333333333333333333333333333333		0.001313		0.001313	0.001313	0.675000 0.980000 0.917000 0.857500 0.817500 0.705000 0.755000 0.755000 0.24625 0.264875 0.264874 0.230739 0.22429
TYPE	WI WI WI ORR ORR		WI	ORR	H 3	I M	WWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWWW
ACT OWNER	**************************************	TOTAL	13 PETER GREGORY HERNDON TOTAL	2 R H HANNIFIN TOTAL	13 RAYMOND STANLEY HERNDON TOTAL	13 ROBIN C HERNDON TOTAL	4 SAGE ENERGY COMPANY 18 SAGE ENERGY COMPANY 14 SAGE ENERGY COMPANY 7 SAGE ENERGY COMPANY 1 SAGE ENERGY COMPANY 1 SAGE ENERGY COMPANY 1 SAGE ENERGY COMPANY 2 SAGE ENERGY COMPANY 2 SAGE ENERGY COMPANY 5 SAGE ENERGY COMPANY 5 SAGE ENERGY COMPANY 6 SAGE ENERGY COMPANY 19 SAGE ENERGY COMPANY 19 SAGE ENERGY COMPANY 19 SAGE ENERGY COMPANY 11 SAGE ENERGY COMPANY 11 SAGE ENERGY COMPANY 12 SAGE ENERGY COMPANY 13 SAGE ENERGY COMPANY

UNIT PARTICIFATION REVENUE	**************************************	0.4020885	.001610	0.0009453 0.0012529 0.0007111 0.0007401 0.000753 0.0001496 0.0001496 0.0001496	0.0076093	0.0036299 0.0014209 0.0011187 0.0004477 0.0047302 0.0005181	0.0128526	0.0019291 0.0019251 0.0018656 0.0018656 0.0025980 0.0151259 0.0020525 0.0020525 0.0020525
UNIT PARTICIPATION EXPENSE	* * * * * *	0.5013430	S.	0.0012604 0.0016705 0.00106481 0.00106868 0.0009868 0.0009868 0.0009868 0.000424 0.0009852	0.0096865	0.0048400 0.0018946 0.0014916 0.005970 0.0067734 0.0005942	0.0175010	
TRACT	**************************************	8477,400 0		0.040324 0.0534556 0.037463 0.0372900 0.0315766 0.0288135 0.0261439 0.0484999		0.0403324 0.0315766 0.0372900 0.0172900 0.2252487 0.0257748 0.0257748		0.0314340 0.0314010 0.021703 0.0075426 0.0075426 0.0207836 0.121068 0.0303403 0.2252457 0.0395305
NET NRI	**************************************			0.023438 0.023438 0.023438 0.023438 0.023438 0.023438 0.017774 0.017774		0.090000 0.045000 0.030000 0.021000 0.020100 0.02533		00.1255000 00.1255000 00.1255000 00.1255000 00.1255000 00.1255000 00.1255000 00.1255000
GROSS WI	· · · · · · · · · · · · · · · · · · ·	-		0.031250 0.031250 0.031250 0.031250 0.031250 0.020313 0.020313 0.020313		0.120000 0.06000 0.04000 0.03000 0.03000 0.026667 0.015000		
TYPE	**************************************		, and a second			MININI H		N N N N N N N N N N N N N N N N N N N
TRACT OWNER	**************************************	TOTAL	2 SCOPE INDUSTRIES TOTAL	5 SEBERT L PATE 7 SEBERT L PATE 6 SEBERT L PATE 1 SEBERT L PATE 4 SEBERT L PATE 9 SEBERT L PATE 113 SEBERT L PATE 113 SEBERT L PATE 113 SEBERT L PATE 12 SEBERT L PATE 13 SEBERT L PATE	TOTAL	S SECA LTD. 4 SECA LTD. 1 SECA LTD. 16 SECA LTD. 14 SECA LTD. 2 SECA LTD. 2 SECA LTD. 15 SECA LTD.	TOTAL	10 STATE OF NEW MEXICO 11 STATE OF NEW MEXICO 16 STATE OF NEW MEXICO 18 STATE OF NEW MEXICO 15 STATE OF NEW MEXICO 21 STATE OF NEW MEXICO 21 STATE OF NEW MEXICO 6 STATE OF NEW MEXICO 14 STATE OF NEW MEXICO 12 STATE OF NEW MEXICO 14 STATE OF NEW MEXICO 15 STATE OF NEW MEXICO 16 STATE OF NEW MEXICO 17 STATE OF NEW MEXICO 18 STATE OF NEW MEXICO

	UNIT PARTICIPATION REVENUE NRI	**************************************	0.1250000	0.0000279	0.0000557	0.0012992 0.000696 0.0007317 0.0012824	0.0000557	0.0260995 0.0032979 0.0012733 0.0319440	0.0004027	0.0007173
•	UNIT PARTICIPATION EXPENSE WI	*	~ .	0.0000318	0.0000637	0.0014848 0.0009328 0.0008660 0.0014656	0.0000637	0.0331421 0.0043972 0.0014552 0.0014552		0.0008198
	TRACT PARTICIPATION WI	**************************************		0.0484999	0.0484999	0.0365491 0.0149248 0.0207836 0.0360754	0.0484999	0.0662843 0.0257748 0.0365491 0.0365491	0.0257748	0.1210068
*	NET NRI	**************************************		0.000574	0.001149	0.015546 0.046875 0.035208 0.035547	0.001149	0.437500 0.127950 0.034839 0.034839	0.015625	0.005928
		有面积有水水水水水水水水水水水水水水水水水水水水水水水水水水水水水水水水水水水		0.000656	0.001313	0.040625 0.062500 0.041667 0.040625	0.001313	0.500000 0.170600 0.039816 0.039816		0.006775
	TYP	**************************************		M WI	W	M W M I	WI	WI WI WI	ORR	IM
-	RACT OWNER	**************************************	TOTAL	13 STEPHEN LAWERENCE KNIEREIM TOTAL	13 SUSAN GALLAGHER GREY TOTAL	19A UNIVERSITY OIL 16 UNIVERSITY OIL 15 UNIVERSITY OIL 8 UNIVERSITY OIL TOTAL	13 VERONICA HERNDON TOTAL	20 WAINOCO 2 WAINOCO 19B WAINOCO 19A WAINOCO TOTAL	2 WALLACE IRWIN TOTAL	9 WESTERN LEASING

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TRACT OWNER	TYPE	GROSS WI	NET NRI	TRACT PARTICIPATION WI	UNIT UNIT PARTICIPATION FARTICIPATION EXPENSE REVENUE WI	UNIT PARTICIPATION REVENUE NRI
**************************************	**************************************	0.006500 0.006500 0.006500	0,005688	**************************************	0.0002376	0.0002079
TOTAL					0.0015295	0.0013383
13 WILLIAM G POPE JR.	M	0.001313	0.001149	0.0484999	0.0000637	0,0000557
TOTAL					0.0000637	0.0000557
					1.0000000	1.0000000

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SAGE ENERGY COMPANY P. O. DRAWER 3068

MIDLAND, TEXAS 79702

915/683-5271

ALG 15'90

RE COX. BATON COPPLED & HENSLEY

August 10, 1990

Surface Owner and Leasehold Operators North Vacuum (Abo) Field Lea County, New Mexico

Subject: Proposed North Vacuum (Abo) North Unit

Lea County, New Mexico

Dear Sirs:

As shown by the enclosed C-108 application Sage Energy Company has applied to convert 19 wells to water injection in the proposed North Vacuum (Abo) North Unit waterflood located in sections 35 and 36, T-16-S, R-24-E and sections 1 and 2, T-17-S, R-34-E in Lea County, New Mexico. Sage intends to inject fresh and formation water into the Abo formation at 8500. Maximum rates are 400 BWPD/well and at a maximum pressure of 4500 psi. Interested parties must file objections or request for a hearing with the Oil Conservation Commission, PO Box 2088, Santa Fe, New Mexico, 87501, within 15 days of receipt of this application.

BEFORE EXAMINER

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OIL CONSERVATION DIVISION

Proof of Notice Return Receipt Requested North Vacuum (Abo) North Unit Lea County, New Mexico

Mobil Production TX-NM PO Box 633 Midland, Texas 79702 New Mexico Oil Conservation Commission PO Box 1980 Hobbs, New Mexico 88240

Marathon Oil Company PO Box 552 midland, Texas 79702

Chevron, USA PO Box 1150 Midland, Texas 79702

Commissioner of Public Lands State of New Mexico Attn: Frank Prado - Oil and Gas Division PO Box 1148 Santa Fe, New Mexico 87501

New Mexico Oil Conservation Commission Attn: Mike Stogner PO Box 2088 Santa Fe, New Mexico 87501

Shell Western E&P, Inc. PO Box 576 Houston, Texas 77001

Mr. Bob Eidson West Star Route Box 490 Lovington, New Mexico 88260

Yates Drilling Company 207 South 4th Street Artesia, New Mexico 38210

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

FORM C-108

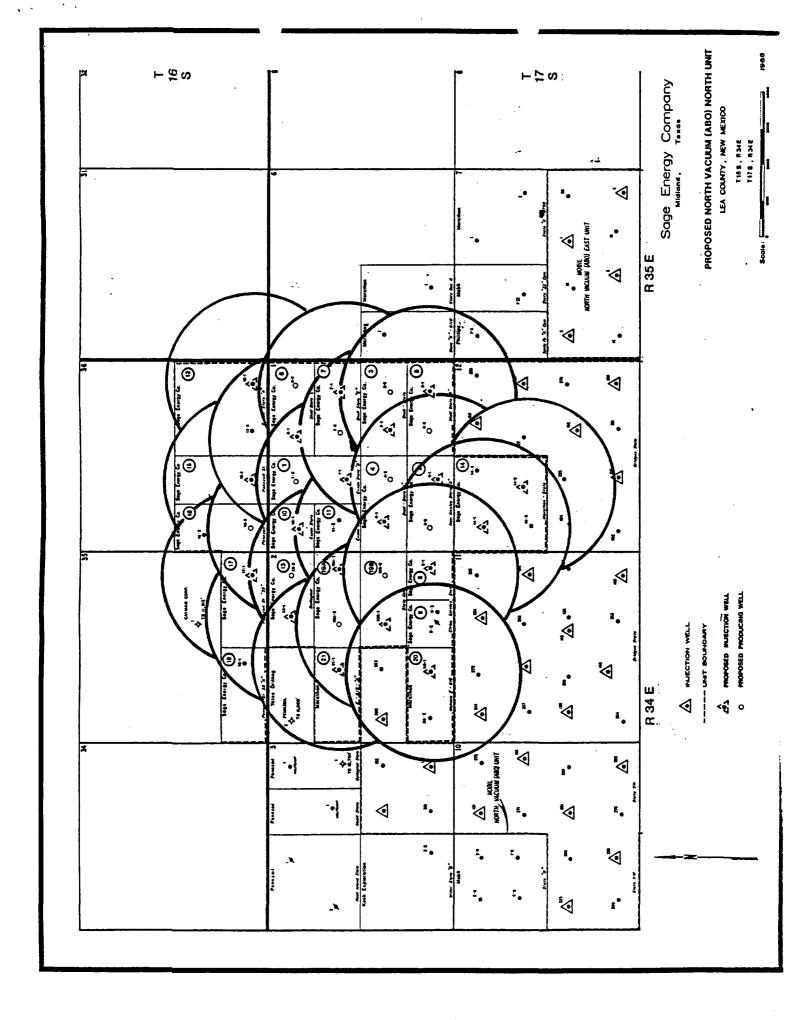
ENERGY AND HINERALS DEPARTHY Revised 7-1-81 STATE LAND DIFCE BUILDING SAMPA FE NEW MY ALD W/501 APPLICATION FOR AUTHORIZATION TO INJECT Secondary Recovery Pressure Maintenance Disacaal Storage Purpose: Application qualifies for administrative approval? Yna II. Operator: Sage Energy Company Address: p.O. Drawer 3068, Midland, Texas 79702 Phone: (915) 683-5271 Contact party: Jay H. Hardy Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary. .111 IV. Is this an expansion of an existing project? ∐ yes If yes, give the Division order number authorizing the project ٧. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review. VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail. VII. Attach data on the proposed operation, including: Proposed average and maximum daily rate and volume of fluids to be injected; Whether the system is open or closed: 3. Proposed average and maximum injection pressure; 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.). Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with ·VIII. total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval. IX. Describe the proposed stimulation program, if any. Χ. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.)

- + XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
 - XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.
- Applicants must complete the "Proof of Notice" section on the reverse side of this form. XIII.
- XIV. Certification

• If sub o f

I hereby certify that the information submitt to the best of my knowledge and belief.	ed with this application is true and correct
Name:Jay H. Hardy'	Title Vice President
Signature: My H, Harly	Date: <u>August 10, 1990</u>
the information required under Sections VI, VIII mitted, it need not be dublicated and resubmitted the earlier submittal.	, X, and XI above has been previously ed. Please show the date and circumstance

DISTRIBUTION: Original and one copy to Santa re with one copy to the appropriate Division district office.



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AREA
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WELLS
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BULATION

•	· PEFORATIONS	### 1
	CASING PROGRAM & CENTER	155
OF REVIEW -NORTH VACUUM (Abo) MONTH UNIT	COMPLETION DATE PB/TD TYPE	1/12/75
OF REVIEW -NORTH V	-	
TABULATION OF WELLS IN AREA	LOCATION	\$20. 2, T-178, R-148 \$20. 1, T-178, R-148 \$20. 15, T-186, R-148 \$20. 2, T-186, R-148 \$20. 2, T-186, R-148 \$20. 2, T-186, R-148 \$20. 12, T-186, R-148 \$20. 2, T-186, R
TABOLAT	OPERATOR LOCATION	EXCON STATE AL MARATHON STATE AL MARATHON STATE AL MARATHON STATE AL PENNEOLE STATE AL PENNEOLE STATE AL STATE COMM AL MAINCO E 619 B-1 MA
	OPERATOR	SACE DETECT COMPANY MARATHON OIL COMPANY MAR

TABULATION OF WELLS IN AREA

OF REVIEW -NORTH VACUUM (Abo) NORTH UNIT

PEPRATOR WELL LOCATION COMPLETION DATE PB/TD PB/TD P	PETORATIONS	8654' - 8681' 8654' - 8710'	11902' - 11914'	.08980998
NELL LOCATION COMPLETION DATE P. 17PE	CASING PROGRAM & CEMENT	1200 8X 12-3/4" @ 296', 450 8X; 8-5/6" @ 3080', 1400 8X; 5-1/2" @ 8800', 2300 8X 13-3/6" @ 405', 500 8X, 9-5/8" @ 5000', 2400 8X; 5-1/2" LINER @ 4224-8850',	8-50 5X 8-5/8" @ 4650', 2500 5X; 8-5/8" @ 4095', 675 5X 11-3/4" @ 453', 150 5X; 8-5/8" @ 1005', 250 5X; 8-5/8" @ 4879', 950 5X; 9-1/2" @ 12332 20" @ 16', 30 5X; 13-1/8" @ 400', 425 5X; 8-5/8" @ 4879', 950 5X; 9-1/2" @ 12332	5-1/2" @ 12224', 1975 5X 8-5/6" @ 1677', 960 5X; 4-1/2" @ 8830', 1000 5X
NELL -NM -NORTH VACUUM (Abc) UNIT \$172 SEC. 3, T-178, R-34E -NM -NORTH VACUUM (Abc) UNIT \$172 SEC. 3, T-178, R-34E -NGLE - STATE COM. \$1 SEC. 3, T-178, R-34E -NGLE - STATE \$2 SEC. 3, T-178, R-34E -STATE VI \$1 -SEC. 1, T-178, R-34E -STATE VI \$1 -SEC. 2, T-178, R-34E -SEC. 2, T-178, R-34E -SEC. 2, T-178, R-34E	PB/TO	-/8800*	-/12750 -/11000 -/11512 12141'/12250*	-/9830.
NELL -NM -NORTH VACUUM (Abc) UNIT \$172 SEC. 3, T-178, R-34E -NM -NORTH VACUUM (Abc) UNIT \$172 SEC. 3, T-178, R-34E -NGLE - STATE COM. \$1 SEC. 3, T-178, R-34E -NGLE - STATE \$2 SEC. 3, T-178, R-34E -STATE VI \$1 -SEC. 1, T-178, R-34E -STATE VI \$1 -SEC. 2, T-178, R-34E -SEC. 2, T-178, R-34E -SEC. 2, T-178, R-34E	DATE	4/15/72	5/17/77 8/14/67 7/05/69 3/17/83	10/13/75
WELL	COMPLETION	WIW	0+4 0+4 0+4 0+4 0+4	OIL P+A
HOBIL PRODUCTION TX-NN NORTH VACUUM (Abc) UNIT FEMENZOIL PENENZOIL PENENZOIL PENENZOIL PENENZOIL PENENZOIL PENENZOIL PENENZOIL PENENZOIL ANGLE - STATE for STATE ON, FI SMEE MESTERN E & P STATE VI #1.	LOCATION	172 SEC. 3, T-178, R-34E 303 SEC. 2, T-178, R-34E		SEC. 2, T-178, R-34E
OPERATOR HOBIL PRODUCTION TX-NH HOBIL PRODUCTION TX-NH PENHAGOL CPTMAN CORPORATION SWELL WESTERN E & P	WELL	NORTH VACUUM (Abo) UNIT #	GALLAGHER STATE COM. #1 ANGLE - STATE #2 J FEATHERSTONE - STATE #1 STATE VI #1	CITIES STATE NO. 2
	OPERATOR	NOBIL PRODUCTION TX-NH NOBIL PRODUCTION TX-NH	PENTZOIL PENTZOIL GYTHAZOIL STRIL MESTERN E 6 P	SAGE ENERGY COMPANY

Typical
INJECTION WELL DATA SHEET

LEASE LEASE Sec. 2 Sec. 2 T-17-S RANGE	Tabular Data Casing " Cemented with sx. feet determined by	Size 8 5/8" @ 1757' " Cemented with 1350 sx. Circulated feet determined by Visual size 11"	4½" 0 8714' " Cemented with 700 sx. 4725 Cet determined by Calculations size 7 7/8"	Injection interval 8639 Rel (perforated or open-hole, indicate which)
Sage Energy Company Cities LEASI LEASI ACLUMI. FORTION Lea County, New Mexico	Schematic Surface Casing Size	1350 sx_Intermediate Casing Size 8 5/8" @ 1757' TOC Circulated Hole size 11"	Size 4%" @ 8 10C 4725 110le size Total depth	

Typical INJECTION WELL DATA SHEET

Sage Energy Company	ompany	Marathon State	
3 2180 WITT NO.	2180' FNL 660' FWL FOOTAGE LOCATION	12 SECTION	T-17-5 R-34-E TOWNSHIP RANGE
Lea Co	Lea County, New Mexico		
Schemalic	nlic		Tabular Data
		Surface Casing	
		Size 12 3/4 @ 390'	" Cemented with 450 sx.
	6	TOC Circulated	feet determined by Visual
₹	12 3/4" (9 390, 450 SX.	Hole size 17½"	
		Intermediate Casing	
		Size 8 5/8" @ 3218'	"Cemented with 1000 sx.
	10100	TOC 390'	feet determined by <u>Calculations</u>
	3/8. @ 3/18.	1000 SX. Hole size 124"	
		Long string	
		Size 4½" @ 8750'	" Cemented with 1050 sx.
		3200	feet determined by Calculations
		Hole size 77/8"	
		Total depth 8750	
<u>uo</u>	Perforated 8542'-8584'	Injection interval	
		8542 test to (perforated or open-hole,	t to 8584 feet -hole, indicate which)

PLUGGED WELL DATA

Operato Footage County	Operator Name <u>Cayman Corporation</u> Footage Location 1980' FSL and F County		Lease Name Section Date P&A 7/5/69	Feather:	Lease Name Featherstone-State Section 35 Township 16 S 7/5/69	Well No. 1 Range 34 E	
	SCHEMATIC				TABULAR DATA		
			-	νI	Surface Casing: Size 13 3/8"	3 3/8" set at 245'	
•	•			ن	Cemented with 150	sx. TOC Circulated	
10 sx.	Surface			L.	Feet determined by <u>Calculations</u>	ulations . Hole Size $1712^{"}$	
25 sx.	200'-240'	13 3/	13 3/8" @ 245', 150 sx.	·	Intermediate Casing:		
25 sx.	1650'-1700'			S	Size <u>8 5/8"</u> se	set at 3305'	
			•		Cemented with 350	sx. T0C 1653'	
25 sx.	2135'-2185'	Reco	Recovered 21/4' 8 5/8"	csg.	Feet determined by <u>Calculations</u>	ulations . Hole size 11"	
25 sx.	3240'-3340'	8 5/8" @	@ 3305', 350 sx.		Long String:		
	ľ				Sizese	set at	
25 sx.	4540'-4640'			ت	Cemented with	sx. T0C	
25 sx	6025'-6125'			Œ.	Feet determined by	. Hole size	
				Ĭ	Total Depth		
25 sv	8360'-8460'			.	Producing Intervals; perforated or open hole	rforated or open hole	
. < 6 7				i	fe	feet to feet.	
25 sx.	10,600'-10,700'						
25 cx	11.412'-11.512'	10=11,512					
)							

PLUGGED WELL DATA

		LUGGED WELL DAIA	¥ 2	
Operator Name Mobil Oil Corporation	l Corporation	Lease Name	Gallagher State	Well No. 1
Footage Location 1980' FNL	FNL and 660' FEL	Section 3	Township 17 S	Range 34 E
County Lea	. Date P&A	5/17/77		
SCHEMATIC			. TABULAR DATA	
			Surface Casing: Size	set at
10 sx. Surface			Cemented with	sx. TOC
			Feet determined by	. Hole Size
50 sx. 1728'-1900'			Intermediate Casing:	
			Size 8 5/8" s	set at 4850'
7000 70001			Cemented with 2500	sx. TOC Circulated
			Feet determined by Calculations	ulations . Hole size 12½"
			Long String:	
:			Size	set at
50 SX. 0019'-0138'			Cemented with	sx. TOC
			Feet determined by	. Hole size
50 sx. 8057'-8176'			Total Depth	
		٠	Producing Intervals; perforated or open hole	rforated or open hole
50 sx. 9723'-9872'			f	feet tofeet.
50 sx.(6) 10,389'-12,710'			,	

PLUGGED WELL DATA

e Marathon State Well No. 2	2 Township T-17-S Range R-34-E		TABULAR DATA	Surface Casing: Size 11 3/4" set at 403'	Cemented with 275 sx. TOC Circulated	Feet determined by <u>Calculations</u> . Hole Size 17"	Intermediate Casing:	8 5/8" csg. Size 8 5/8" set at 4095'	Cemented with 675 sx. TOC 1969'	Feet determined by <u>Calculated</u> . Hole size 12½"	Long String:	Size set at	Cemented with sx. TOC	Feet determined by Hole size	Total Depth	Producing Intervals; perforated or open hole	feet to feet.			
Lease Name	Section	Date P&A 8/13/67						- Recovered 1325' 8 5/												
Operator Name Pennzoil Company	Footage Location 660' FN and WL	County Lea	SCHEMATIC		10 sx. Surface		35 sx. 401'-359'	sx. 1343'-1263'			35 sx. 4095'-4024'			35 sx. 6071'-5955'			36 5.0 80001 70321	· «	35 sx. 11,000'-10,884'	

TD= 11,000

PLUGGED WELL DATA

LOGGED WELL DAIR	
Operator Name Sage Energy Company Lease Name Ci	Cities Service State Well No. 2
Footage Location 460' FSL ad 1980' FEL Section 2	Township 17-S Range 34-E
County Lea . Date P&A 3/18/85	
SCHEMATIC	TABULAR DATA
	Surface Casing: Size set at
	Cemented with sx. TOC
10 sx. surface	Feet determined by Hole Size
	Intermediate Casing:
50 sx. 1684'-1584' 8 5/8" @ 1677', 860 sx.	Size 8 5/8" set at 1677'
	Cemented with 860 sx. TOC Surface
4½" cut (0 1940'	Feet determined by <u>Visual-Circulated</u> . Hole size 12½"
300 sx. 4774'-8830' X X 4½" Retainer set @ 4600', 300 sx.	Long String:
(1/22/85)	Size 4½" set at 8830'
	Cemented with 1000 sx. TOC 3123'
	Feet determined by Calculations . Hole size 7 7/o
	Total Depth 8830'
	Producing Intervals; perforated or open hole
	8660' feet to 8680' feet.
1000 sx.	
TD=8830'	

Data on Proposed Operation North Vacuum (Abo) North Unit Lea County, New Mexico

Form C-108 (Rev. 7-1-81)

VII.

- Proposed average daily water injection rate = 200 BWPD/well.
 Proposed maximum daily water injection rate = 400 BWPD/well.
 Estimated total volume = 7,300,000 BW.
- 2. The system will be closed.
- Proposed average injection pressure = 2500 psi.
 Proposed maximum injection pressure = 4500 psi.
- 4. Injection fluid will be fresh and produced water. Analysis of fresh water is attached. Water is compatible with produced water.'
- 5. Not applicable.

VIII.

The injection zone is the Abo formation at 8450'±. The Vacuum (Abo) North Field is located North and behind the main Vacuum Abo reef trend in a back reef depositional environment. The Abo is comprised of thinly bedded, lenticular dolomites encapsulated by shale stringers. The productive dolomite zones average 3-8' in thickness with porosities in the range of 5-7%.

- IX. No stimulation program needed.
- X. Logs and test date on file with the NMOCD.
- XI. Fresh water analysis attached

Jay H. Hardy

ody N. Harry
V.P. Engineering

HALLIBURTON SERVICES MIDIAND DIVISION HOBBS, NEW MEXICO 88240

LABORATORY WATER ANALYSIS

No. 205

To Sage Energy	·····			Date	9-11-90		
Drawer 3068			 #	his report is the proper nor any pert thereof	nor a copy th	ereof is to be	published
Midland, Texas	38240		0	r disclosed without firs i leboratory manageme	t securing the	express written	n approvel
		~		ourse of regular busines ad employées thereof ompany.	es operations t receiving such	y any parson (report from)	ialiburton recent
Submitted by				Date Rec	9-11-90		
Well No East Exxon S	tate A Depth	200	. /	Formation	1		
County <u>SE/4 SE/4</u> Leg (0, N. 1	1 5 2 36 Field	T165	R34 F	Source	Mad	Mala	
Lealo, N. 1	Merice			Commercia /	Fresh	Wafer	Wel
Resistivity	1.8 @ 70° F		· · ·	·			
Specific Gravity	1.00						
ж.	6,8	 .					
Calcium (Ca)	900						*MPL
Magnesium (Mg)	nil						
Chlorides (CI)	2,000			· · · · · · · · · · · · · · · · · · ·			
Sulfates (SO ₄)	very light						
Bicarbonates (HCO _s)	18	 .			···		
Soluble Iron (Fe)	4.00						
			EFORE EX	AMINER			
Remarks:		OIL	CONGERVAT	ON LIVE IN		ligrams per	liter
		Sage	EXHIDIT	110. F			
		D CASE NO	10,102	+10,103			
) •	Respectionly	submitted,		20110125		
Analyst: David K	eduml			HALLIBURTO	N CÓMPA	NY	
CC:			Ву			-	
		NO	TICE	CHI	MIST		

SEP 11 '90 16:52

MALL TRUDTAN OU DOOLS ----

SAGE ENERGY
EAST EXXON STATE A
SCAME PROFILE FOR INJECTION WATER AND FORMATION WATER
SEPTEMBER 28, 1990

TEMPERATURE(F)= 100.0

	1		ION (MG/L)	
ION	WA	TER NO. 1	WATER NO.	
SODIUM	نقد وي	1013.	20700.	eder ras
CALCIUM		900,	3000.	
MAGNES]UM		,	1410.	
STRONTIUM		o.	0.	
IRON(FERROUS)		o.	Ö.	
IRON(FERRIC)		٥.	80.	
CHLORIDE		2000,	39000.	
BICARBONATE		13.	36.	
CARBONATE		٥.	0,	
SULFATE		1550.	3364,	
PH CONTRACTOR CONTRACTOR		6.80	7.20	
SPECIFIC GRAVITY		1.0000	1.0500	
RESISTIVITY IONIC STRENGTH		1.80	0.12 1.3429	
TOS		U. IZ/O	1,3429	•
103		5481,	67590.	
	SOLUBILITY	SCALE	SCALE	
TYPE OF SCALE	(PTB)			SCALING TENDENCY
والله عليه الله المنافقة الله والله الله الله الله الله الله الل	erm som mar såre regt sägg 1750 tillge väge ellig			ONE COME AND THE AND AND AND AND DOWN THE AND
100.0 % WATER NO. 1	0.0 % !	JATER NO.	2	
CALCIUM SULFATE	1004.	-0.02	-32.	NONE
CALCIUM CARBONATE	46.	-0.67	-36.	NONE
STRONTIUM SULFATE	16.	-10.00	-32. -36. -16.	NONE
90.0 % WATER NO. 1	10.0 % 1	JATER NO	2	
		VIV. 12.10 14.5 1	4	
CALCIUM SULFATE	1233.	-0.07	-147.	NONE:
CALCIUM CARBONATE	67.	-0.80	-56	NONE
STRONTIUM SULFATE	22.	-10.00	-22.	NONE
				100
80.0 % WATER NO. 1	20.0 % 1	JATER NO.	2	
CALCIUM SULFATE	1397.	-0.11	-197.	NONE
CALCIUM CARBONATE	80.	-0.84		ON THE PARTY
STRONTIUM SULFATE	26.	-10.00		A SAME NOME
MOTE: DIG DOLLING	DED THOUGH	ir) ria mineri e	i en	

NOTE: PTB = POUNDS PER THOUSAND BARRELS

Soge 6 10,102 +10,103

SAGE ENERGY
EAST EXXON STATE A
SCALE PROFILE FOR INJECTION WATER AND FORMATION WATER
SEPTEMBER 28, 1990

TYPE OF SCALE	SOLUBILITY (PTB)	INDEX	(PTB)	SCALING TENDENCY
70.0 % WATER NO. 1	30.0 % W	ATER NO. 2		
CALCIUM SULFATE	1522,	-0.10	-208.	NONE
CALCIUM CARBONATE	85 .	-0.82	-72.	NONE
CALCIUM CARBONATE STRONTIUM SULFATE	28.	-10.00	-28.	NONE
60.0 % WATER NO. 1	40.0 % L	IATER NO. 2		
CALCIUM SULFATE	1619.	-0.09	-191.	NONE
CALCIUM CARBONATE	87,	-0.81	-74.	NONE
CALCIUM CARBONATE STRONTIUM SULFATE	31.	-10.00	-31.	NONE
50.0 % WATER NO. 1	50.0 % L	JATER NO. 2		
CALCTUM SULFATE	1.49%	-0.06	-15A	NONE
CALCIUM CARRINATE	85.	÷0.75	-49	NONE
CALCIUM SULFATE CALCIUM CARBONATE STRONTIUM SULFATE	33.	-10.00	-33.	NONE
40.0 % WATER NO. 1	60.0 % 4	JATER NO. 2	:	
CALCIUM SULFATE	1756.	-0.04	-101.	NONE
CALCIUM CARRONATE	79.	-0.69	-62.	NONE
CALCIUM SULFATE CALCIUM CARBONATE STRONTIUM SULFATE	34.	-10.00	-34.	NONE
30.0 % WATER NO. 1	70.0 % U	JATER NO. 2		
CALCIUM SULFATE	1804	- 0 . Δ1	-34	NONE
PALETIM CAPRINATE	71	-0.62 -0.62 -10.00	-53.	NONE
CALCIUM CARBONATE STRONTIUM SULFATE	35	-10 00	-35.	NONE
ארנו אלאלאה בינה בינה בינה בינה או היה אינה היה או היה היה היה היה היה היה היה היה היה הי	001	* 4 1 4 4	uu i	HORL
20.0 % WATER NO. 1	80.0 % (NATER NO. 2	!	
CALCIUM SULFATE	1837.	0.02	46.	SLIGHT
CALCIUM CARBONATE	61.	~Q,53	43,	NONE
STRONTIUM SULFATE	36.	-10.00	-36.	NONE

NOTE: PTB = POUNDS PER THOUSAND BARRELS

SAGE ENERGY _EAST EXXON STATE A SCALE PROFILE FOR INJECTION WATER AND FORMATION WATER SEPTEMBER 28, 1990

TYPE OF SCALE	SOLUBILITY (PT8)	SCALE INDEX	SCALE (PTB)	SCALING TENDENCY
10.0 % WATER NO. 1	90.0 % U	ATER NO. 2		
CALCIUM SULFATE CALCIUM CARBONATE STRONTIUM SULFATE	1866. 53. 36.	0.04 -0.43 -10.00	131. -33. -36.	MODERATE NONE NONE
0.0 % WATER NO. 1	100.0 % W	ATER NO. 2		
CALCIUM SULFATE CALCIUM CARBONATE STRONTIUM SULFATE	1883. 44, 37.	0.07 -0.33 -10.00	228. -23. -37.	MODERATE NONE NONE

NOTE: PTB = POUNDS PER THOUSAND BARRELS

Proof of Notice Return Receipt Requested North Vacuum (Abo) North Unit Lea County, New Mexico

Mobil Production TX-NM PO Box 633 Midland, Texas 79702 New Mexico Oil Conservation Commission PO Box 1980 Hobbs, New Mexico 88240

Marathon Oil Company PO Box 552 midland, Texas 79702

Chevron, USA PO Box 1150 Midland, Texas 79702

Commissioner of Public Lands State of New Mexico Attn: Frank Prado - Oil and Gas Division PO Box 1148 Santa Fe, New Mexico 87501

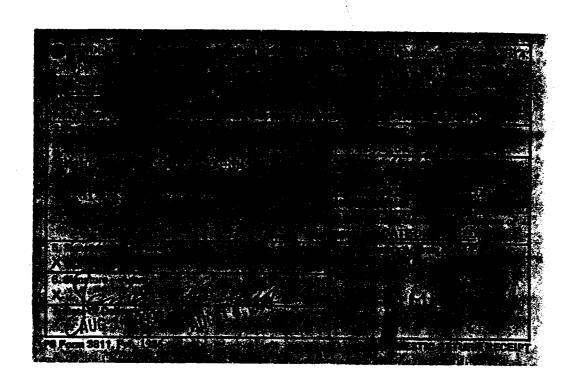
New Mexico Oil Conservation Commission Attn: Mike Stogner PO Box 2088 Santa Fe, New Mexico 87501

Shell Western E&P, Inc. PO Box 576 Houston, Texas 77001

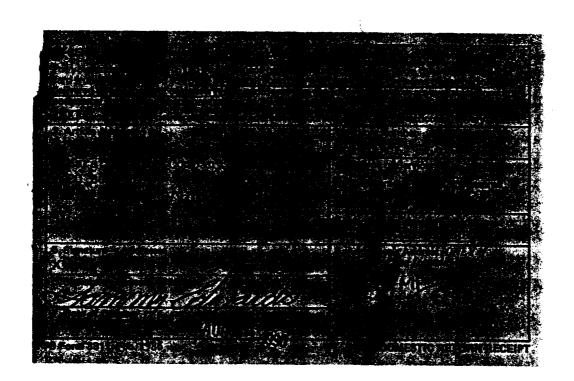
Mr. Bob Eidson West Star Route Box 490 Lovington, New Mexico 88260

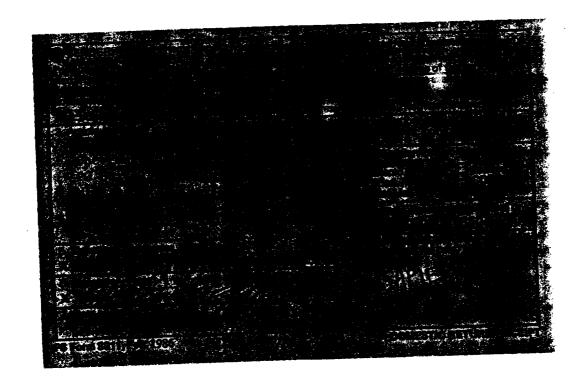
Yates Drilling Company 207 South 4th Street Artesia, New Mexico 88210 10,102+10,103

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State and ZIP Code The Code I Delivery Fee Individually Fee In	RECEIPT FOR CERTIFIED NO INSURANCE COVERNER PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse)
	ED MAIL

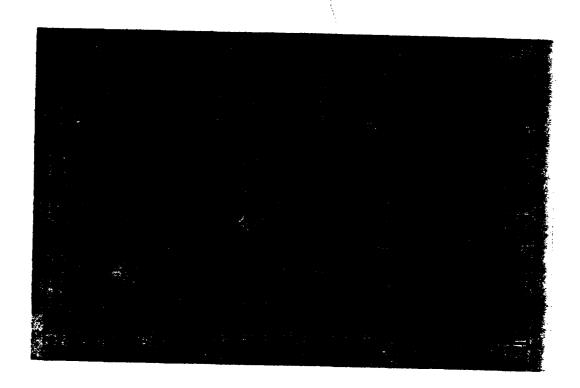


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Podra uk ar Ode	TOTAL Postage and Fees	Retain Recept showing to whon: Date and Address of Delivery	Return Recept showing to whom and Date Delivered	Restricted Delivery Fee	Special Delivery Fee	continued Fee	Postage	Spinor No Control	March Co	NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Revolse)
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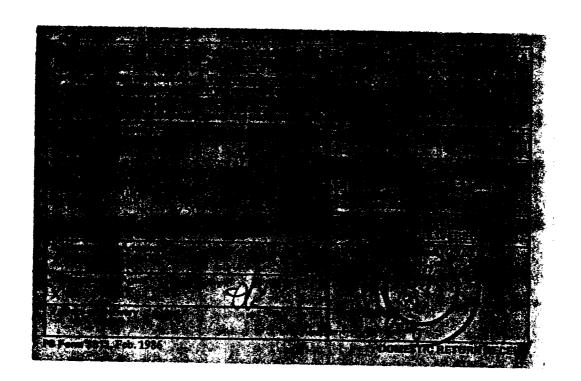




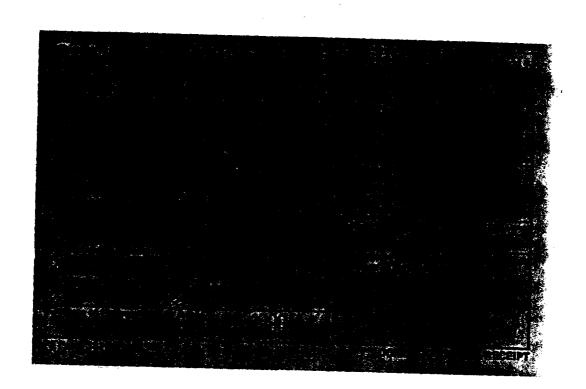
P5 Form 3800), Jun	e 198	5			*	U.S.G.P.O.	1985-48	0.794		
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PS	S Form 3800). Jun	e 198	5			*	U.S.G	.P.O. 1	985-4	180-794		
	Postmark or Date	101AL Postage and Fees	Beturn Receipt showing to whom. Date and Address of Delivery	Return Receipt showing to whom and Date Delivered	Restricted Delivery Fee	Special Delivery Fee	Certified Fee	Postage	State and ZIP Code NO	Speciary 2085	Sent to Oil Cansuc	NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse)	P 248 625 596 RECEIPT FOR CERTIFIED
	8	A.						တ	187501	Χ3	vation Comm	VIDEO X	D MAIL

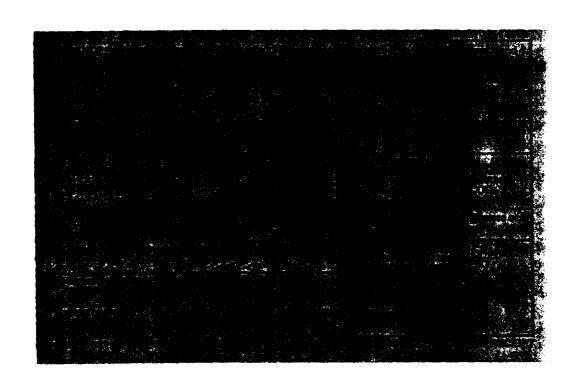


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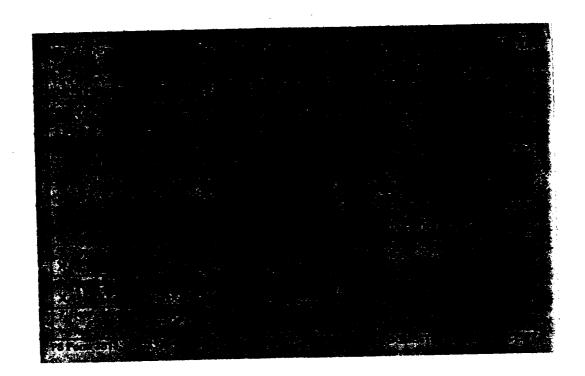
PS Form 3800), Jun	e 198	5			*	U.S.G.	.P.O.	1985-4	80-794		
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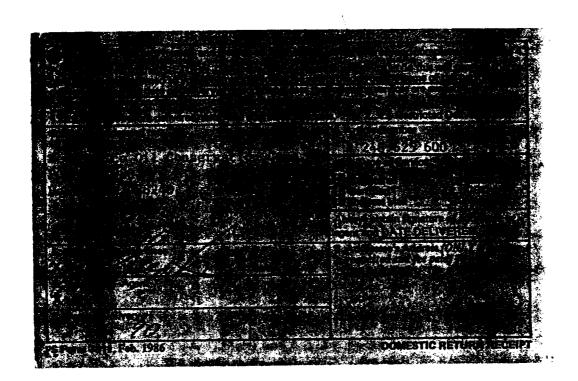
PS Form 3800), Jun	e 198	5			*	U.S.G.P.O. 1985-480-794
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P 248 625 599 RECEIPT FOR CERTIFIED MAIL NO INSUBANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse)



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	2) #c						S	24C		no Con	D MAIL	00



Affidavit of Publication

STATE	OF	NEW	MEXICO)		
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COUNT	r o	F LEA	A	,	1	

Joyce Clemens being first duly sworn on oath deposes and says that he is Adv. Director of THE LOVINGTON DAILY LEADER, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled Legal Notice Court of Lea County, New Mexico, was published in a regular and entire issue of THE LOVINGTON DAILY LEADER and not in any supplement thereof, once each week on the same day of the week, for two (2) consecutive weeks, beginning with the issue of August 17 19 90 and ending with the issue of August 24 , 19 90 And that the cost of publishing said notice is the sum of \$ 11.40 which sum has been (Paid) (XMMSSA) as Court Costs Subscribed and sworn to before me this 24th August day of Notary Public, Lea County, New Mexico My Commission Expires Sept. 28 19 90

LEGAL NOTICE SAGE ENERGY COMPANY, P.O. Drawer 3068, Midland, Texas, 79702, has applied to convert 19 wells to water injection in the proposed North Vacuu (Abo) North Unit waterflood located Sections 35 and 36, T-16-S, R-34-B, and Sections 1 and 2, T-17-S, R-34-E, Lea County, New Mexico. The operator. intends to inject fresh and formation wi into the Aher formation at \$500 Maximum rates are 400 BWPD/well) Maximum rates are not of 4500 psi:

a maximum pressure of 4500 psi:
Interested parties must file objections or request for bearing with the Oli Conservation Commission F.O. Box 2088, Sante Pe. New Mexico, \$7501 within 15 days of today's date. Services and Production Clerk Published in the Lovington Daily Leader.

Sage I 10,102+10,103

August 17 and 24, 1990.



Sage Energy Company

September 6, 1990

RE: North Vacuum
(Abo) North Unit
Lea County, New Mexico

Dear Interest Owner:

Sage Energy Company has filed an application to establish the referenced waterflood unit on the lands shown on the attached Exhibit "A". An application has also been filed for approval of the Unit Agreement for the referenced unit.

The hearing is to be held on October 3, 1990, at 8:15 a.m. in the Oil Conservation Division Conference Room, State Land Office Building, Santa Fe, New Mexico.

If there are any questions concerning this matter, please call me.

Sincerely,

SAGE ENERGY COMPANY

Lee Patrick Division Landman

LP:bg

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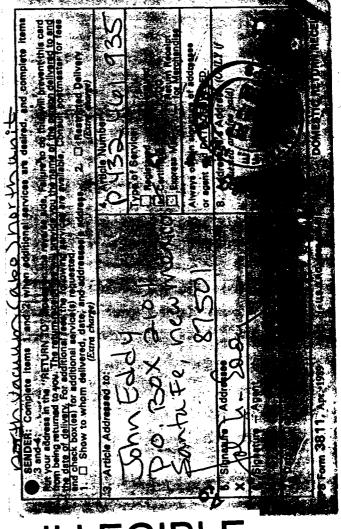
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U.S.G.P.O. 1989-234-555	Street and No. 8550 Katy Fuy, S P.Q. State and ZIP Code, 170 LANGE POSTAGE	13her 524 524
	Certified Fee Special Delivery Fee Restricted Delivery Fee	
1985	Return Receipt showing to whom and Date Delivered Return Receipt showing to whom. Date, and Address of Delivery	
June	TOTAL Postage and Fees	\$200
pS Form 3800, June 1985	Postmark or Date	

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PS Form 3811, Apr 1989	' ' × º	× on			
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\f \f	RECEIPT FOR CERTIFI NO INSURANCE COVERAGE PRO NOT FOR INTERNATIONAL M (See Reverse)	אווהרה
U.S.G.P.O. 1989-234-656	Sent to Gregory Charles Gresson and No. Street and No. Street and The State and The Street and T	relagher uite 208
U.S.G.	POL State and ZIP Code TDU STDN, TX Postage Certified Fee	7024
	Special Delivery Fee	
35	Restricted Delivery Fee Return Receipt showing to whom and Date Delivered	
, June 19	Return Receipt showing to whom. Date: and Address of Delivery TOTAL Postage and Fees	5700
S Form 3800, June 1985	Postmark or Date	

8. Signature — Agent X	Howst	3 Annual S	
8. Signature — Agent X — All, Oaa. 7. Date of Delivery 98. Form 3811, Apr. 1	DU SIDIN	S TO S	
Agent 1985	Address	400	
100	0	18 R	
Baro	770	120	
230-	24	#3	
	19 2000		
	agent and D Addresse	Article Number of Services	27
DOMES	Always obtain signature of addressee or agent and DATE DELIVERED. 8. Addressee's Address (ONLY II) 1. requested and fee paid)	Services Fined	Recuir
TIC RET	elivered dress (Q	Insur	ad, and comp the will person a person delive pault poetment destricted Delive Extra charge)
DOMESTIC RETURN RECEIPT	NLY (losured Inscript Receipt	nplete iter but this ce vered to au ster for fe livery
CEIPT		(V)	E 5518

A. S.	RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PROV NOT FOR INTERNATIONAL MAI (See Reverse)	D MAIL	
U.S.G.P.O. 1989-234-565	Sent to W. Glenn Bw Street and No. 8000 IH-10 W P.O. State and ZIP Code San Andonio, TX	78230	20
1	Postage Certified Fee Special Delivery Fee	S	
985	Restricted Delivery Fee Return Receipt showing to whom and Date Delivered Return Receipt showing to whom. Date, and Address of Delivery		
PS Form 3800, June 1985	TOTAL Postage and Fees Postmark or Date	\$200	
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PS Form 3811, Apr. 1989	C. Sigg	10 00 C	ξ.ω -	
3811	Signary Agent	D O D D	Ticle Addressed to:	ENDER!
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W		0 223	* * * * * * * * * * * * * * * * * * * *	
	4	The state of the s	A. Anii	
DOM		ype of Service Registered Certified Express Mail Express btain sign	s. 2. 日 Restri (Extra Article Number	
ESTIC	Address	vice: Insured COD Anti COD Fotum for Meg DATE DELIVERED.	Der C	
DOMESTIC RETURN RECEIPT	Address (ONLY fee paid)	Pe of Service: Registered Insured Certified COD Express Mail Return Receivers State Signature of addresses	Restricted Delivery (Extra charge)	will prevent son delivers
N RECE	¥ C	Receipt handise	00 se	plete her
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U.S.G.P.O. 1989-234-555	P 432 461 971 P 432 461 971 PRECEIPT FOR CERTIFIED MAIL NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) Sent 19 Sent	いってやハ しい。 al services are desired, and complete items	Seaide. Failure to do this will prevent this card dayou the name of the person delivered to and ces are available. Consult postmaster for fees selectes. 2. ☐ Restricted Delivery (Extra charge)	4. Article Number	Type of Service: Registered P Certified COD Express Mall	ways obtain eigneture of agent and DATE DELIVER	8. Addressee's Address (ONLY if requested and fee paid)		OIS DOMESTIC RETURN RECEIPT
982	Certified Fee Special Delivery Fee Restricted Delivery Fee Return Receipt showing to whom and Date Delivered Return Receipt showing to whom	w (Alop) and 2 when addition	10" Space on the reven- you receipt tee will present fees the following servit nvice(s) requested. nvice(s) requested. nvice(s) requested.	Copus	283	3660		100 Sept. 100 Se	Strans
PS Form 3800, June 1985	Return Receipt showing to whom. Date, and Address of Delivery TOTAL Postage and Fees Sa. 00 Postmark or Date	Dr W Vacuus	ind 4. It address in the *: RETURN It address in the *: RETURN g of delivery. For additional sex box(es) for additional as Show to whom delivered. (Estra	Article Addressed to:	0, 130 X	= 1	iture — Addressee	of Delivery	3811, Apr. 1989
			Por your from being the date and chec and chec and chec sund chec and chec	m	+ (7	W .	5. Signature X 8. Signature 6. Signature	7. Date of	PS Form

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U.S.G.P.O. 1989-234	RECEIPT FOR CERTIFIED MAIL NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) Sent to EXON COMPANY USA Street and No. Box 1000 Po. State and ZIP Code Midund; TX 79702 Postage Certified Fee	PS Form 3811, Apr. 1989 *U.S.a.P.O. 1989-238-818	7. Date of Delivery SEP 10 199	8. Signature – Agent	5. Signature - Addressee	大大	TOXON COMPANY USA	1 Show to whom delivered, date; and addressees (Eura charge)	nd 4. If address in the "RETURN TO! Space on the return fleshift fee you. The geturn fleshift fee you are defined to you the geturn fleshift fee.	SERVICE Complete Items 1 and 3 when additions
	Special Delivery Fee	3	196	حات	700 º ≥	<u>-</u>		address	. 2 6	1
	Restricted Delivery Fee				B. A		译 (V)		side. Fa	
S	Return Receipt showing to whom and Date Delivered	9		requestea		Certified Express Mail	of Sen	2.	lure t	
198	Return Receipt showing to whom. Date, and Address of Delivery	9 5		9	DATE	<u> </u>	Service:	_	SE 5	
June 1985	TOTAL Postage and Fees \$2.50	DOMESTIC RETURN RECEIPT		ana Jee paaj	E DELIVERED Address (O)		ֹבוֹ כ	Restricted Delivery (Extra charge)	his will	2 2
800,	Postmark or Date	RET		9	EREC	COD Return for Mer	6	d De	prev n dei	
PS Form 3800,		R		•	RED.	COD Return Receipt for Merchandise	م	Yaevil	ent th	Complete
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Str.	RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PRO NOT FOR INTERNATIONAL MA (See Reverse)	VIDED
U.S.G.P.O. 1989-234-555	Sent to A.I.M. Pate JR Street and No.CO nENB P.O. BOX 2546	istato Texas
. U.S.G.P.O	PO State and ZIP Code Ft. WOSTH TX Postage	74113
	Certified Fee	
	Special Delivery Fee	
	Restricted Delivery Fee	
2	Return Receipt showing to whom and Date Delivered	.50
e 198	Return Receipt showing to whom. Date, and Address of Delivery	
S Form 3800, June 1985	TOTAL Postage and Fees	\$2,00
3800	Postmark or Date	
Form		
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DOMESTIC RETURN RECEIPT		+U.S.G.P.O. 1989-238-818	PS Form 3811, Apr. 1989
		SEP 1 0 1990	7. Date of Delivery
	1 (1) 1 (1) 2 (1) 3 (1)		6. Signature - Aggar
ddress (ONLY if e paid)	8. Addressee's Address (ONLY if requested and fee paid)		5. Signature - Addressee X
ture of addressee DELIVERED.	Always obtain signature of addresses or agent and DATE DELIVERED.	176113	Ft. Worth/TX しゅころ
COD Return Receipt for Merchandise	M Certified Express Mail	Suc	DISS XOG
PUSA 461963	Type of Service:	10×ac	A. M. Pate, Le. Estate
Restricted Delivery (Extra charge) Article Number	Reat (Extr.	redicione, and addresses a add Edra charge)	1. Show to whom delivered date, and addresse (Edra charge) 3. Article Addressed to:
side. Failure to do this will prevent this card shou the name of the person delivered to and are wellable. Consult postmaster for fees.	side. Failure to do this ou the name of the c are evellable. Consu		'ut your address in the "RETURN TO" Space on the reversion being returned to you. The atturn accept fee will provide the or delivery. For additional fees the following services.
and complete items	ervices are desired	DER: Complete items 1 and 2 when additional services are desired, and complete items	SENDER: Complete items 3 and 4.

P 432 461 965

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED

NOT FOR INTERNATIONAL MAIL

(See Reverse)

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sento Elizabeth Robb	Sources	
Street and No. 1270 and, of america		Š
P.O. State and ZIP Code N.Y. N.Y. (00	20	
Postage	5,25°	
Cerufied Fee	.85	
Special Delivery Fee		
Restricted Delivery Fee		
Return Receipt showing to whom and Date Delivered	.90	
Return Receipt showing to whom. Date, and Address of Delivery		
TOTAL Postage and Fees	52.00	
Postmark or Date		

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services are desired, and complete items safe. Failure to do this will prevent this card a you the name of the person delivered to and se are available. Consult postmaster for fees	address: 2. Il Restricted Delivery 4. Article Number O U C	Type of Service: Asgistoned Insured Contified Cop	option adjoinance of the Deliverse of Addresses and fee par	THE STATE OF THE S
SENDER: Complete Items 1 and 2 when additional services are desired, and complete Items 3 and 4. Put-your address in the "RETURN TO" Spage on the reverse side. Failure to do this will prevent this card from being returned to you. The returns could be a the following services are available. Consult postmaster for fees and check boxies for additional services are available. Consult postmaster for fees	3. Article Addressed to:	Continumph Resources =	5. Signification of the control of t	6. Signature & Agent X Z. Date of Delivery A P CO
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F.	RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PROVINGT FOR INTERNATIONAL MAI (See Reverse)	DED	
U.S.G.P.O. 1989-234-555	Sent to Delphine Pape Ke Street and No. 9350 N. E. Schu Po. State and ZIP Code Post tyand (040	ller ylee-	; 20
U.S.	Postage Certified Fee	S	
	Special Delivery Fee		
	Restricted Delivery Fee		
	Return Receipt showing to whom and Date Delivered		
1985	Return Receipt showing to whom, Date, and Address of Defivery	-	
Jegy.	TOTAL Postage and Fees	2.00	
3800	Postmark or Date	#* 54 s	
PS Form 3800, Jupp 1985	-# -#		

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and 2 when additional services are desired.	Show to whom delivered to you. The regum recolor flee will provide you the name of the person delivered to you. The regum recolor flee will provide you the name of the person delivered to additional services are available. Consult postmaster for flee sticle Addressed to: Show to whom delivered date, and addresses address. 2. Restricted Delivery for flee sticle Addressed to:	~	- 1	
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U.S.G.P.O. 1989-234-555	RECEIPT FOR CERTIFIED MAIL NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) Sent to Christophe W. Knieriem Street and No. 72 80 Lynch Road P.O. State and ZIP Code Sent to Cartified Fee Special Delivery Fee Restricted Delivery Fee	Form 38'17, Apr. 1989	Signature - Aggett Mary Date of Delivery 9-17-90	Signature - Add - American - Add - Add - American - Add - American - Add - Add - Add - American - Add - Ad	3. Article Addressed to: Christopher W. Knieriem [4]	TOTAL VACABLE A LOS
June 1985	Return Receipt showing to whom and Date Delivered Return Receipt showing to whom. Date, and Address of Delivery	DOM	quested and	istered tified ress Ma tain	design de	とうな
PS Form 3800, June	TOTAL Postage and Fees S 2 05 Postmark or Date	DOMESTIC RETURN RECEIPT	fee paid)	Insured COD Return Rec for Mercha ature of address: DELIVERED.	ired; and complete items this will design this band a partial delivery to and result partially for the	スラマナ
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	P 432 461 95 RECEIPT FOR CERTIFIED NO INSURANCE COVERAGE PROVISION	MAIL
30	NOT FOR INTERNATIONAL MAIL (See Reverse)	
S.G.P.O. 1989-234-	irreet and No John Stre	et Seper
1	Postage Certified Fee	
	Special Delivery Fee	1.1
	Restricted Delivery Fee	
	Return Receipt showing to whom and Date Delivered	
1985	Return Receipt showing to whom, Date, and Address of Delivery	1
June	TOTAL Postage and Fees	200
pS Form 3800, June 1985	Postmark or Date	
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PS Form 3811, Apr. 1989	7. Date of Coffingly, AC	6. Signature - Adem	X Signature - Addres		Joack W.	つこうじょう	3. Article Addressed to			SENDER: Complete
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DOMESTIC RETURN RECEIPT			Requested and fee paid)	Atways obtain signature of addressee or agent and DATE DELIVERED.		Type of Service:	Article Number 461954	Idioss 2. C Restricted Delivery	edde Faiture to do this will prevent this card you the name of the person delivered to and	Porto un to templete items

W,	RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PRO NOT FOR INTERNATIONAL M (See Reverse)	ED MAIL	
⊹U.S.G.P.O. 1989-234-5€	Sent to Challs Cob Street and No LILWEGUN PA P.O State and ZIP Code WYSTOYANGE, N Postage Certified Fee	bins (K J 0705	2
	Special Delivery Fee Restricted Delivery Fee		
1985	Return Receipt showing to whom and Date Delivered Return Receipt showing to whom. Date, and Address of Delivery		
June,	TOTAL Postage and Fees	\$2.00	
5 Form 3800, June 1985	Postmark or Date		

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R		asee's Address (ONLY if led and fee paid)	Alwaya therain algnature of addressee or agent and DATE DELIVERED.	GOD Return Receipt for Merchangle	4	450 461 975		Man apla
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	P 432 461 939 RECEIPT FOR CERTIFIED MAIL NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) Sent to Chayles Raymond Callagher. TI Street and No. 8550 Katy Frwy, Suite 208 PO State and ZIP Code Houston, Texas 77024 Postage	Form 3811, Apr. 1989 *usano. 1989	Signature - Agent Kith I Mark To Common Com		tousdon, Texas 77024	Markes Raymond Gallasher	3 and 4 and 4 and 5 and	いとなることをというというというというという
-	Certified Fee Special Delivery Fee	669-230-0 18		9 &		#	ddd	07.47
1985	Return Receipt showing to whom and Date Delivered Return Receipt showing to whom. Date. and Address of Delivery	DOMESTIC	indicated and	Bys obtain sign	Registered Gertfied Spress Mail	Article Numbe	Editor to do t to do to to do to to do to to do to to do to	Carol to
PS Form 3800, June 1	TOTAL Postage and Fees \$2 00 Postmark or Date	STIC RETURN RECEIPT	fee paid)	11.20	Insured COD Return Receipt for Merchandise	461939	this will prevent this gard in person delivered to and insult postmaster for fees result postmaster for fees lestricted Delivery Erira charge)	

S,G.P.O. 1989-234-565	ECEIPT FOR CERTIFIED MAIL NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) IN TO CAPTURE AND APPROVIDED ON State and ZIP Code ON STATE APPROVIDED ON	
85	Return Receipt showing to whom and Date Delivered Return Receipt showing to whom.	
June 19	Return Receipt showing to Date, and Address of Delivery TOTAL Postage and Fees \$250	
1985 June 1985	Postmark or Date	

items or fees or fees	eelpt.	RECIEN
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additional services are desired, and complete Items in may represent the card mile opinion of the person delivered to and any opinion of the person of the person delivered to any opinion of the person of th	Type of Service Insured Insured	8 Addresse & Address (ONLY Userguested and fee paid) DONIESTIC RETURN R
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amplers items. 1 and 2 when the rings of the result of the	多多多	Addressee
SENDER-Extemplere Items: 1 and 2 when additional services are desired, and of 3 and 4. Sender Externation of the reputation of the reputation of the result of the reputation of the result of the re	Palo Mato, CA	Signature — Addressee
SENDER MAY you address now being return in a check box less in a check	75/80 18/80	Signature X September Signature Septem 3811
● SESS	O2 b	± × 6 × 6 × 6 × 6 × 6 × 6 × 6 × 6 × 6 ×

S. S	RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PROVI NOT FOR INTERNATIONAL MAI (See Reverse)	D MAIL
NS.G.P.O. 1989-234-555	Sent to Charleen G. Kni Street and No. 1100 Glendon we stwood (ex PO. State and ZIP Code LOS Hnalles (F	eriem ave. sujk 91 ke.
⊹ U.S	Postage Certified Fee	2
	Special Delivery Fee	. 83
	Restricted Delivery Fee Return Receipt showing to whom and Date Delivered	90
e 1985	Return Receipt showing to whom, Date, and Address of Delivery	. 75
, Jun	TOTAL Postage and Fees	5200
PS Form 3800, June 1985	Postmark or Date	

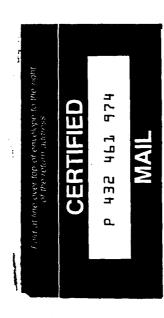
SENDER: "Démplete items 1 and 2 when additional services are desired, and complete items 3 and 4. 3 and 4. 3 and 4. 9 BENDER: "Démplete items 1 and 2 when additional services are desired, and complete items of and 4. Put your address in the "RETURN TO". Space on the reverse adde. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date you who will be a several and check box(ss) for additional services for requested. 1. □ Show to whom delivered, date, and addresses a address. 2. □ Restricted Delivery (Extra charge)	Type of Service: P (25) (0) 9 (0) Pépistered Insured Bépistered Continued Continued	Several Court (
ENDER: "Document of the control of t	chlectew equals	1190B
SENDER***********************************	3. Article Addressed to: Charleen G. Knierlew 1100 Glendon ave, sw westwood Genter Los Angeles CA	X. Seferation of Action of T. Date of Delivery P8 Form 3811, Apr. 1989

			Form	Signa C.L.	s. Sign	1005	. Article		
60°	P 432 461 FRECEIPT FOR CERTIFIE	NDED	3811; Apr.	ature — Agen	Signature - Addr	STEXAS	Address	k box(es) for	DER: Comp
25. L	NOT FOR INTERNATIONAL MA (See Reverse) Sent to Calla Sher	Te I	. 1989	agher III		A S	145 N		
1988	Street and No. 1005 Texas 208 14th Street B P.O., State and ZIP Code.	commerce sink Bldg.	*	m	Xuo	Tre-C	3 U		2
_	Lubbock, 7 x 79 Postage Certified Fee	1401 s	*U.S.Q.P.O. 19	0.9.			, C.		
s	Special Delivery Fee		1989-238-818			105			
P	Restricted Delivery Fee Return Receipt showing to whom and Date Delivered				8. Addra		Artici PATICI		TO STATE
ne 1989	Return Receipt showing to whom, Date, and Address of Delivery		DO M		200 S	gistered rtified press Mail	Nun e		र्ज
00, Jur	OTAL Postage and Fees	200	DOMESTIC		Address (fee paid)		T. Per		ă S
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Au RI	ECEIPT FOR NO INSURANCE NOT FOR INT	CERTII COVERAGE I TERNATIONAL Reverse	MAIL	AAIL	7
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1 1	Return Receipt shi to whom and Date		,		
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PS Form 3800, June 1985					

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PS Form 3811, Apr. 1989 + us.a.ko. 1988-238-418	6. Signature / gent) X 7. Date of Delivery	5. Signature — Addressee	<u> </u>	3. Article Addressed to:	SENDING Complete Service 1 and 2. Why additional a service 3 and 4. Show to whom delivered, date, and delivered in the service 1 from being returned to you! The return holds the will brould the date of delivery for-additional fees the relieving services and check boxies) for additional service is requested 1. Show to whom delivered, date, and addresses and address
THOMES DE RETURN RECEIPT		Always obtain signature of addressee or agent and DATE DELIVERED. 8. Address (ONLY if	Type of Service: Registered	4. Article Number 461973	A DIVIDIANA are desired, and complete items are desired, and complete items the failure to do this will prevent this card tour the name of the perion delivered to and are available. Consult postmaster for fees frees. 2. 3. Restricted Delivery (Extra charge)

Sage Energy Company 10101 Reunion Place • Suite 800 San Antonio, TX 78216-4158



RETURN R.CEIF AM N.H. Breining Actors Attn: Wartin Suchoff 1270 Ave. of the Americas, #605 New York, New York 10020

L. Hiller Branch Manther Harbert

	P 432 461 51 PRECEIPT FOR CERTIFIES NO INSURANCE COVERAGE PROVII NOT FOR INTERNATIONAL MAIL (See Reverse)	D MAIL
U.S.G.P.O. 1989-234-555	Street and No. 4417 Tracy PO. State and ZIP Code	, Je,
U.S.G	Postage	s s
	Certified Fee	,
	Special Delivery Fee	
	Restricted Delivery Fee	
10	Return Receipt showing to whom and Date Delivered	- 3. m
198	Return Receipt showing to whom, Date, and Address of Delivery	
June	TOTAL Postage and Fees	2.00
3800,	Postmark or Date	-
PS Form 3800, June 1985		

Services are desired, and complete items side. Failure to do this will prevent this card you the name of the person delivered to and s are available. Consult postmaster for fees idness, 2. [Extra charge]	PUSA UW 9U8 PUSA UW 9U8	Begistered Insured Con Con Express Mail Fetum Receipt AlwayLogish signature of addressee	8. Addressee's Address (ONLY if		SHE DOMESTIC RETURN RECEIPT
SENDER: Complete items 1 and 2 when additional services are desired, and complete items Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivered for and and check box(es) for additional service(s) requested. 1. Show to whom delivered, date, and addresses's address. 2. Restricted Delivery (Extra charge).	3. Article Addressed to: William G. Pope 36	HYIN Tracy Meraux, LA		X Man Applied (0) T. Date of Delivery	PS Form 3811, Apr. 1989

1989-234	P 432 461 978 RECEIPT FOR CERTIFIED MAIL NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) Sent to Western Lasing Company Street and No. Box 494	Mo W Wind the man complete item	ure to do this will parent of the person liable. Consult post	4. Article Number PUSSULO 97	Express Mail for Merchandise Always obtain signature of addressee	Addressee's Address (ONLY If requested and fee paid)		
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June 1985	Return Receipt showing to whom. Date. and Address of Delivery TOTAL Postage and Fees) Age	od to yell.	Tossed to		Addresse		. Apr. 1989
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Mediter tems 1 and 2 when additional services are desired, and complete items	side. Failure to do this will prevent this card t you the name of the person delivered to and is are available. Consult postmaster for fees	idress. 2. Restricted Delivery (Extra charge)	4. Article Number	Type of Service: Registered Insured	W.	Always obtain signature of addressee or agent an DATE DENVERED	8. Addressed desire political	STON (881) SO 2		DOMESTIC RETURN RECEIPT
SENDER: CHEMISTERS 1 and 2 when additional services are desired, and comp	Put your address in the "AETURN TO" Space on the reverse side. Fallure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the abstract of delivery. For additional fees the following services are available. Consult postmaster for fees and check howless for additional services to make the concept of the contract of the cont	1. Show to whom delivered, date, and addressee's address. (Extra charge) (Extra charge)	3. Article Addressed to:	1200 Smith, Suit ISDD	Houseby, 7exas	AHMI ELCORE MODE	5. Signature — Addressee	6. Signajore - Agent	7. Date of Delivery (P6 Form 38 1 f, Apr. 1989

2/5	P 432 461 937	
A R	RECEIPT FOR CERTIFIED NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse)	MAIL
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PS Form 3800, June 1985		

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e 1985	Return Receipt showing to whom, Date, and Address of Delivery		DOMESTIC		d fee j				Restric Extra	this v	3
, June	TOTAL Postage and Fees S	5.00			ee paid)	8 ≦	Insured COD Return for Mer	6	ted D	ville pro	۶].
PS Form 3800,	Postmark or Date		RETURN RECEIPT		•	addressee RED. (ONLY if	Insured COD Return Receipt for Merchendise	eap 1	Restricted Delivery (Extra charge)	event this card silvered to and silvered to and sales for fees	2-4

Borb,	P 432 461 91 RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PROVI NOT FOR INTERNATIONAL MAIL (See Reverse)	D MAIL
U.S.G.P.O. 1989-234-555	Sent to Susan Gallagher Street and No. 1322 Marc. Ant PO. State and ZIP Code Baton Rouge, CA	Grey ony DC. 70816
ָם י	Postage Certified Fee Special Delivery Fee	S
	Restricted Delivery Fee Return Receipt showing to whom and Date Delivered	
e 1985	Return Receipt showing to whom. Date, and Address of Delivery	
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PS Form 3800, June 1985	Postmark or Date	

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Ry.	RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PROVI NOT FOR INTERNATIONAL MAI (See Reverse)	DED	_
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•	P 432 461 53 RECEIPT FOR CERTIFIED NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse)	MAIL .
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Form 3800, June 1985	Return Receipt showing to whom. Date, and Address of Delivery TOTAL Postage and Fees	\$200
PS Form 380	Postmark or Date	5

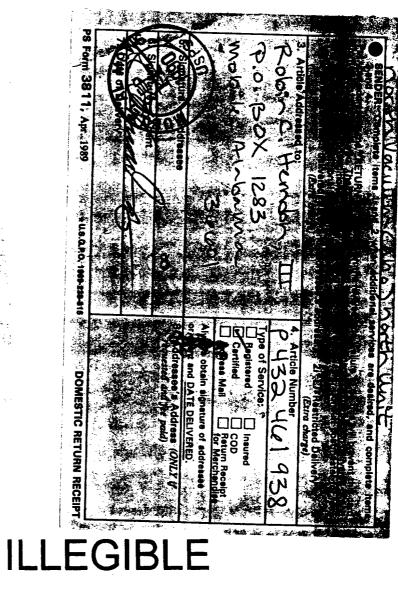
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W,	NOT FOR INTERNATIONAL (See Reverse)	OVIDED	
U.S.G.P.O. 1989-234-56	Speet to S. C. Patro	e []	
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, June 19	Return Receipt showing to whom, Date, and Address of Delivery TOTAL Postage and Fees	\$200	
S Form 3800, June 1985	Postmark or Date		

6. Signature — Agent 11 X Less Millery 7. Date of Delivery 1. G PS Form 3811, Apr. 1989	5. Signature	S C	SENDER: Co Sand 4. Put your address light, being return.
- Agent - Ond	Or Electrical Addresses	Pay P	Complete items 1'-as in the "RETURN TO ned to you. De truur
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U.S.G.P.O. 1989-234-555	Sent to Raymond Stanley Street and No. P.O. Box 12.	Hernd)n
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U.S.G.P.O. 1989-234-555	P 432 461. 96 RECEIPT FOR CERTIFIE NO INSURANCE COVERAGE PROVING FOR INTERNATIONAL MAI (See Reverse) Sent to CILGON H Street and No. BOX 128 PO State and ZIP Code WOOD IL HADON Postage Certified Fee Special Delivery Fee	D MAIL	A DO MOTAN WAY & CAN Sense tems	side. Failure to do this will p syou the name of the person as are available. Consult post ddress. S. C. Restricted	NOON PUSS UP 1901	Always obtain signature of addresses	8, Al See See's Address (ONLY If refinitely and fee paild)		
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PS Form 3800, J	Postmark or Date	1 × =	AF)CEV	BENDER!- Con and 4: Put your and design from being returned the date of deliven and check box(es) 1. C. Show, to we	Peter Gress	P.O. II	5. Signature X X Signature	X Destruction in	P8 Form 3811,

My	P 432 461 967 RECEIPT FOR CERTIFIED NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL (See Reverse) SINT TO WAY ALLOW O? I Treet and No. A. S. S.	MAIL
لللي	O: State and ZIP Code Oostage	79700
1	Certified Fee Special Delivery Fee	
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DOMESTIC RETURN RECEIPT		DELIVERED. Address (ONLY	Return Rec for Mercha	Insured C	stift postmester stricted Delivery xira charge)	and complet
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⊹U.S	Postage	S	
	Certified Fee		
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∜U.S.G.P.O. 1969-234-555	Sent to PUNCOL TAPPORATION Street and No. D.O. BOX 1828 P.O. State and ZIP Code Widenson TX Postage	4 Prod.
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Sage Energy Company 10101 Reunion Place, Suite 800 San Antonio, Texas 78216

October 3, 1990

TO: INTEREST OWNERS LISTED ON EXHIBIT A

> North Vacuum (Abo) North Unit, Lea County, New Mexico RE:

The above unit covers the land listed on Exhibit B. By this letter, Sage Energy Company requests that you voluntarily join in the unit. By separate letter, we are sending your copies of the Unit Agreement, Unit Operating Agreement, and a Ratification form. To date, 88.12% of the working interest owners and 83.9% of the royalty and overriding royalty interest owners have voluntarily committed their interests to the unit.

A secondary recovery waterflood project is proposed in conjunction with the unit. According to the engineering study prepared by the working interest owners' technical committee, the unitization and waterflood will result in the recovery of an additional two million barrels of oil over and above primary production, and the life of the wells in the unit will be extended ten more years.

The royalty and overriding royalty interests, of course, do not bear any costs associated with the waterflood. Therefore, we believe that it is in your best interests to join in the unit.

Please be advised that Sage Energy Company, as unit operator, has requested that those interest owners who do not voluntarily join in the unit be forced into the unit under New Mexico's Statutory Unitization Act. A hearing on that request is currently scheduled before the New Mexico Oil Conservation Division, 310 Old Santa Fe Trail, Santa Fe, New Mexico, on Wednesday, October 31, 1990, at 8:15 a.m.

Please call me if you have any questions, at (512) 340-2288.

Very truly yours,

Bv

Lee Patrick

Division Landman

LP/mh

10,102 + 10,103

INTEREST OWNERS North Vacuum (Abo) North Unit Lea County, New Mexico

John Eddy P. O. Box 2104 Santa Fe, New Mexico 87501

Marion Culbertson &
Shirley C. Wallace, Co-Trustees
of the Culbertson Management
Trust
P. O. Box 2918
Midland, Texas 79702

J. A. Davidson
P. O. Box 494
Midland, Texas 79702

R. H. Hannifin P. O. Box 218 Midland, Texas 79701

Wallace W. Irwin 1911 W. Missouri Midland, Texas 79701 Harold E. Jones 159 Mid-America Building Midland, Texas 79701

Marion Culbertson, Trustee u/w/o Edward Alexander Culbertson, Deceased c/o Charles N. Wallace, Jr. P. O. Box 2918 Midland, Texas 79702

Kathleen Irwin 1911 W. Missouri Midland, Texas 79701

Scope Industries 233 Wilshire Blvd., Suite 790 Santa Monica, C.A. 90401

EXHIBIT B

Township 16 South, Range 34 East, N.M.P.M.

Section 35: S\(\frac{1}{2}\)S\(\frac{1}{2}\)

Section 36: S¹/₂

Township 17 South, Range 34 East, N.M.P.M.

Section 1: Lots 1-4, $S_2^1N_2^1$, S_2^1 (All)

Section 2: Lots 1, 2, $S_{2}^{1}N_{2}^{1}$, $S_{2}^{1}SW_{4}^{1}$, SE_{4}^{1}

Section 12: NW4

Containing 1762.79 acres, more or less.



Sage Energy Company

October 10, 1990

TO: Interest Owners Listed on Exhibit "A"

RE: North Vacuum (Abo) North Unit, Comprising the land listed on Exhibit "B"

You have previously been notified that Sage Energy Company is seeking to unitize the above-described land, and to institute a waterflood project. To date, approximately 88% of the working interest owners and 84% of the royalty and overriding royalty interest owners have voluntarily committed their interests to the Unit. As a result, Sage Energy Company has filed an Application to compel joinder of all interests in the unit pursuant to New Mexico's Statutory Unitization Act. This application is set for hearing on Wednesday, October 31, 1990, at 8:15 a.m., at the offices of the New Mexico Oil Conservation Division, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501. Failure to appear at that time will preclude you from objecting at a later date.

Sincerely,

see alun

Lee Patrick Division Landman

LP:bg

EXHIBIT "A" INTEREST OWNERS NORTH VACUUM (ABO) NORTH UNIT Lea County, New Mexico

John Eddy P.O. Box 2104 Santa Fe, New Mexico 87501

Marion Culbertson & Shirley C. Wallace, Co-Trustees of the Culbertson Management Trust P.O. Box 2918 Midland, Texas 79702

J.A. Davidson P.O. Box 494 Midland, Texas 79702

R.H. Hannifin P.O. Box 218 Midland, Texas 79701

Wallace W. Irwin 1911 W. Missouri Midland, Texas 79701

Harold E. Jones 159 Mid-America Building Midland, Texas 79701

Marion Culbertson, Trustee u/w/o Edward Alexander Culbertson, Deceased c/o Charles N. Wallace, Jr. P.O. Box 2918 Midland, Texas 79702

Kathleen Irwin 1911 W. Missouri Midland, Texas 79701

Scope Industries 233 Wilshire Blvd., Suite 790 Santa Monica, CA 90401 Delphine Pope Keller 9330 N.E. Schuyler Portland, Oregon 97220

Marathon Oil Company P.O. Box 552 Midland, Texas 79702 Attn: Tom Wesling

Mary B. Gallagher 1005 Texas Commerce Bank Bldg. 1208 14th Street Lubbock, Texas 79401

Exxon Company, U.S.A. P.O. Box 1600 Midland, Texas 79702 Attn: Brian Wheeler

Kathleen Marie Gallagher Cooper P.O. Box 814 Vacaville, California 95688

Pennzoil Exploration & Production P.O. Box 2967 Houston, Texas 77252-2967 Attn: Robert Blucher

Sebert L. Pate
P.O. Box 711
Ft. Worth, Texas 76101

University Oil Company
Univ. Oil Co. Acct. #4553
c/o NCNB Texas National Bank
Ft. Worth Banking Center
P.O. Drawer 970703
Ft. Worth, Texas 76197-0703

EXHIBIT "B"

Township 16 South, Range 34 East, N.M.P.M.

Section 35: S/2S/2

Section 36: S/2

Township 17 South, Range 34 East, N.M.P.M.

Section 1: Lots 1-4, S/2N/2, S/2 (All)

Section 2: Lots 1, 2, S/2N/2, S/2SW/4, SE/4

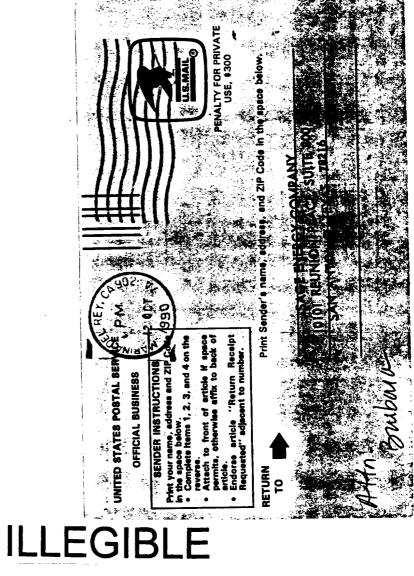
Section 12: NW/4

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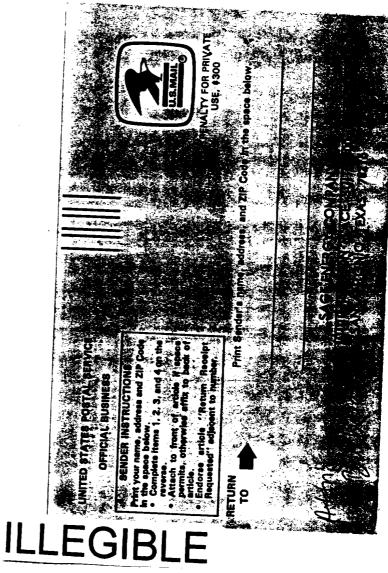
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102

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DOMESTIC RETURN RECEIPT	Andressed Andress (ONLY if quested and fee paid)	Mail	4. Article Number P 79249 S 902 Type of Service: Redistered To Cop Cop	dress 2. Restricted Delivery (Eura charge)

B F ENTERPRISES. INC.

100 BUSH STREET SUITE 1700 SAN FRANCISCO, CA 94104 TELEPHONE (415) 989-6580 TELECOPIER (415) 788-5756

BRIAN P. BURNS CHAIRMAN

3 august 1990

Mr. Jay H. Hardy V. P. Engineer Sage Energy Company 10101 Reunion Place Suite 800 San Antonio, Texas 78216

Formation of Revised Unit

Dear Mr. Hardy:

Enclosed please find Sage Energy Company's ballot regarding the above matter approved and executed by Mr. Brian P. Burns.

Carol Young

Assistant to War

Assistant to Mr. Burns

/c cc: Mr. George D. Daly, Jr. Enclosure

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of $60\% \times 100\%$ Ultimate Primary plus $40\% \times 100\%$ Current Rate. An early response to the letterhead address would be appreciated.

	For Against	
By: Title: Company: Date:	Man P. Bun Owress 2 Cing Go	Very Truly Yours, Jay H. Hardy V.P. Engineering WI = ,0019562

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	For Against	
By: Title: Company: Date:	C.R. Gallagher, JR. Ordaurg OV 9-4-90	Very Truly Yours, Jay H. Hardy V.P. Engineering

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

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X	For	
	Against	
		Very Truly Yours,
		Jay H. Hardy V.P./Engineering
ву:	Charleen G. Knieriem	
Title:		
Company:		
Date:	September 5, 1990	

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

015/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	For Against	
By: (L. Gallage	Very Truly Yours, Jay H. Hardy V.P. Engineering
Company: Date:	9/12/90	

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

	For Against	
By: Title: Company: Date:	S.5. = 565-84-6225 8-1-90	Very Truly Yours, Jay H. Hardy V.P. Engineering

representation of the state

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

	For Against	
By: Title: Company: Date:	Charle F. Rowins * Elizabeth Rownins 7/24/90	Very Truly Yours, Jay H. Hardy V.P. Engineering

Charles WI = ,0044216 Elicolofh WI = ,0056540

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

the letterhead address woulld be appreciated.			
	For		
	Against		
		Very Truly Yours,	
		Jay H. Hardy	
	00 :4: 40	V:P/Engineering	
By:	Christine D. Degu		
Title:			
Company:			
Date:			

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj:

Formation of Revised Unit

Very Truly Yours,

/Engineer,ing

Jay H. Hardy

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

\checkmark	
$\overline{}$	For
	Against

817 390 6/61 Selvert Pote Selvert By:

Title:

Vice President

NCNB Texas National Bank, Independent

Company:

Executor of the A. M. Pate, Jr. Estate #5674

Date:

August 9, 1990

WI:,0096860

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

	For Against	
	DISAPPROVED EXXON COMPANY J.S.X. (A DIVISION OF EXXON CORPORATION) BY DATE 113/90	Very Truly Yours, Jay H. Hardy V.P./Engineering
By:		
Title:		
Company:		
Date:		

SAGE ENERGY COMPANY P. O. DRAWER 2068

MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

> subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

For Against

Very Truly Yours,

Jay H. Hardy /Engineer/ing

By:

Title:

Company:

Date:

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	<u>X</u>	For	
		Against	
F	By: Title: Company:	marces Hanler	Very Truly Yours, Jay H. Hardy V.P. Engineering
	Date:	9/7/90	

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

For Against

Very Truly Yours,

Jay H. Hardy /Engineer,ing

By:

Title:

Company:

Date:

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners
Proposed North Vacuum (Abo) North Unit
Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	For	
	Against	
		Very Truly Yours,
ву:	Tollielle .	Jay H. Hardy V.P. Engineering
Title:		•
Company:		
Date:	10-11-90	
	Gregory J. Gallagher	

Gregory J. Gallagher Attorney-in-fact for Delphine Pope Keller and Kathleen Marie Gallagher Cooper.

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

For Against

Very Truly Yours,

Jay H. Hardy V.P./Engineering/

Gregory J. Galfagher, Individually and as Agent and Attorney-in-fact for Charles Raymond Gallagher II, Gregory Charles Gallagher, Michael Joseph Gallagher, Steven Lawrence Knieriem, Mary Margaret Pope, Natalie Pope, and Marguerite Gallagher Price.

n - 1 -

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners
Proposed North Vacuum (Abo) North Unit
Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

For Against Very Truly Yours, Jay H/ Hardy V/P/Engineering By: Title: COMPANY: Date:

WI= ,0101276

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

	For Against	
By: Title:	MARTHA V. LEONARD	Very Truly Yours, Jay H. Hardy V.P. Engineering
Company: Date:	July 20, 1990	

WI = ,0173879

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

		For	
		Against	
,મહિલ	By: Title: Company: Date:	Mary allernde	Very Truly Yours, Jay H. Hardy V.P. Engineering

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

	$\underline{\hspace{1cm}}$	For
		Against
		Very Truly Yours,
		My H. Handy
		Jay H. Hardy V.P./Engineering
M.	By:	- Mackettane
	Title:	
	Company:	
	Date:	8.30.90

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

WI = ,0000 637

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	For Against	
By: Title: Company: Date:	Many C Tay Car July 23, 1990	Very Truly Yours, Jay H. Hardy V.P./Engineering

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

X	For	
	Against	
By:	Natalie G. Pope	Very Truly Yours, My Landy Jay H. Hardy V.P. Engineering
Title:		
Company:		
Date:	September 5, 1990	

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

	For Against	
By: Title: Company: Date:	Nelm Mennig 7/30/90	Very Truly Yours, Jay H. Hardy V.P. Engineering

WI = ,0015899

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	For	
	Against	
By: Title: Company: Date:	Talient D. Hunt. MANAGER ENGINEERING WESTERN FROM CH OXY USA INC. 9/12/90	Very Truly Yours, Jay H. Hardy V.P. Engineering

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

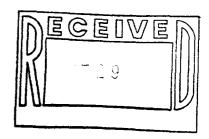
PENNZOIL PLACE • P.O BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

October 24, 1990

Sage Energy Company 10101 Reunion Place, Suite 800 San Antonio, Texas 78216-4158

Attention: Mr. Lee Patrick

Division Landman



Pennzoil S.C. #721 <u>T16S, R34E</u> Section 35:S/2S/2 Section 36:S/2 <u>T17S, R34E</u> Section 1:A11

RE: North Vacuum (Abo) North Unit

Section 1:All Section 2:E/2 S/2SW/

Section 2:E/2, S/2SW/4, S/2NW/4

Section 12:NW/4

1,762.79 acres, more or less

Lea County, New Mexico North Vacuum Area

Dear Lee:

Pursuant to our recent conversation, please find attached one (1) copy of your ballot affecting the referenced Unit executed on behalf of Pennzoil.

Pennzoil has agreed to join said Unit subject to our review and approval of those certain Unit and Unit Operating Agreements both dated October 10, 1990.

You can expect the return of the subject agreements in the near future.

If I can provide further assistance, please feel free to contact me at 713-546-6193.

Very truly yours,

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

Robert F. Blucher Advanced Landman

RFB:1s

L16590RB

SAGE ENERGY COMPANY P. O. DRAWER 8068

MIDLAND, TEXAS 79702

015/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

X	For	
	Against	
* By: Title: Company:	Michael L. McCullough Agent and Attorney-in-Fact Pennzoil Exploration and Producti	Very Truly Yours, Jay H. Hardy V.P. Engineering on Company
Date:	October 24, 1990	
_		

^{*}Subject to Pennzoil's review and approval of that certain Unit Agreement dated October 10, 1990 and that certain Unit Operating Agreement dated October 10, 1990 both affecting the proposed North Vacuum (Abo) North Unit.

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

015/083-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

		For Against	
p q.	By: Title:	Line News.	Very Truly Yours, My Mardy V.P./Engineering
	Company:	9/7/90	

Polar & Parent

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

	For	
	Against	
By: Title: Company:	Very Truly Yours, Jay H. Hardy V.P. Engineering	<i>1</i> —
Date:	8/20/40	

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

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		For	
		Against	
? 4.	By: Title: Company: Date:	4/2/90	Very Truly Yours, My / Mandy Jay H. Hardy V.P / Engineering

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address woulld be appreciated.

<u>\(\tau \) \(\tau \) \(\tau \)</u>	For Against	
By: Title: Company: Date:	Det Lotaler 10, 1990	Very Truly Yours, My Jay H. Hardy V.P Engineering

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

Gentlemen:

By copy of this ballot, the Technical Committee respectfully requests that the Working Interest Owners approve the formation of the subject Unit based on a participation formula of 60% x Ultimate Primary plus 40% x Current Rate. An early response to the letterhead address would be appreciated.

<u>X</u>	For	
	Against	
By: Title: Company: Date:	Susan E. Wilson (Le Gen. PARTNER 5ECA LTD. 7/24/90	Very Truly Yours, Jay H. Hardy V.P. Engineering

WI= ,0175009

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners
Proposed North Vacuum (Abo) North Unit
Lea County, New Mexico

Subj: Formation of

Revised Unit

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	For Against
By: Title: Company: Date:	Very Truly Yours, My H. Hardy Jay H. Hardy V. P. Engineering Ausan Hallagha See

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

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______ For Against

Very Truly Yours,

Jay H. Hardy V.P. / Engineering

By:

Title:

Date:

Vice President

NCNB Texas National Bank, Agent University Oil Company #4553

Company:

October 9, 1990

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

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		For Against	
✓	By: Title: Company: Date:	Veronica Herry »	Very Truly Yours, My Hardy Jay H. Hardy V.P. Engineering

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

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For Against

Very Truly Yours,

Jay H/ Hardy /Engineer/ing/

By:

Title:

Production

Company:

Maineco Oil + Gas Gompany August 13, 1990

Date:

WI = .0404498

P. O. DRAWER 3068 MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of Revised Unit

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For Against

Very Truly Yours,

Jay H. Hardy V.P./Engineering

By:

Title:

Company:

Date:

(JAMES A. DAVIDSON)

J.A.DAVIDSON-WESTERI

7-19-90

LEASING-JAMES A.DAVIDSON)

WI=,0015294

P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

Working Interest Owners Proposed North Vacuum (Abo) North Unit Lea County, New Mexico

Subj: Formation of

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	For Against	
By: Title: Company: Date:	William G. Pope	Very Truly Yours, My V. Hardy V.P. Engineering

Proof of Notice Return Receipt Requested North Vacuum (Abo) North Unit Lea County, New Mexico

Pennzoil Exploration and Production Co. P. O. Box 1828
Midland, Tx 79702
ATTN: Randy Hodgins

Phillips Petroleum Co. 4001 Penbrook Odessa, Tx 79762

ARCO Oil and Gas Co. Central District P. O. Box 1610 Midland, Tx 79702

Exxon Company USA Southwestern Production Division Office P. O. Box 1600 Midland, Tx 79702

Elk Oil Co. P. O. Box 310 Roswell, New Mexico 88202

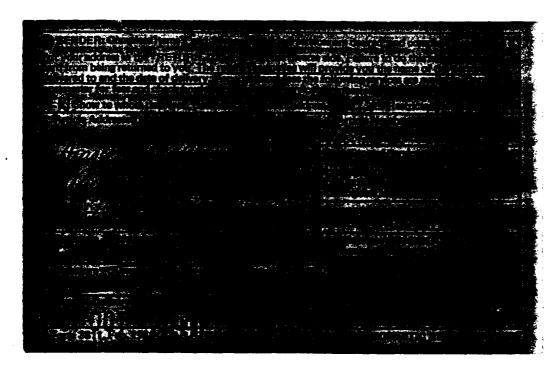
Amoco Production Co. P. O. Box 3092 Houston, Tx 77253

SEPORE EXAMINER SADGNER

CO. CONSERVATION DIMOLON

EXAMINED N

LOCAL DE 10,102 + 10,103



RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED

NOT FOR INFERNATIONAL MAIL

(See Reverse)

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Poshmark or Date

Responsible of Delivery

TOTAL Postage and Fees

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Poshmark or Date

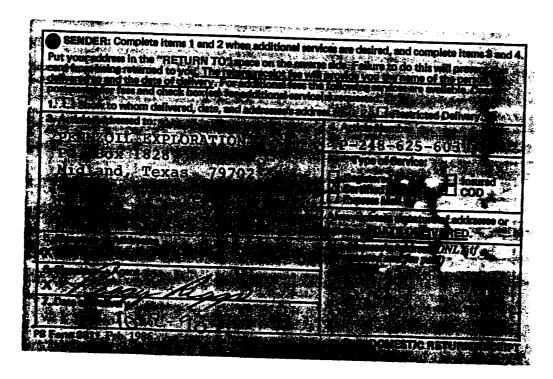
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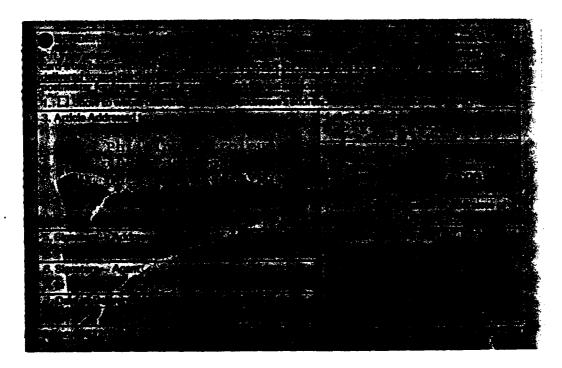
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Special Delivery Fee

Return Receipt showing to whom Date, and Address of Delivery

Postmark or Date

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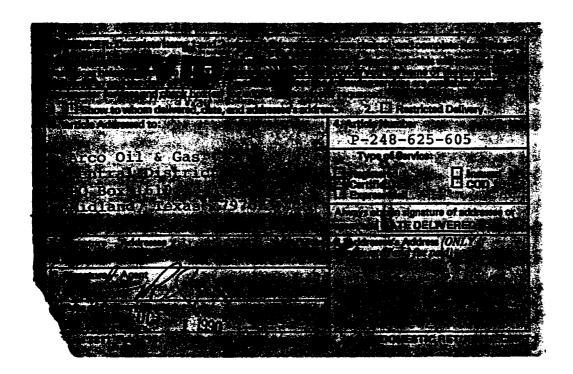
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NO INSURANCE COVERAGE PROVIDED
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PS Form 3800. June 1985

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NO INSUINANCE COVERGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

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Control Postage and Fees

Postmark or Date

Q-28-90

RECEIPT FOR CERTIFIED MAIL
(See Reverse)

Special Delivery Fee
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Postmark or Date

Q-28-90

RECEIPT FOR CERTIFIED MAIL
(See Reverse)

Special Mail
(See Reverse)

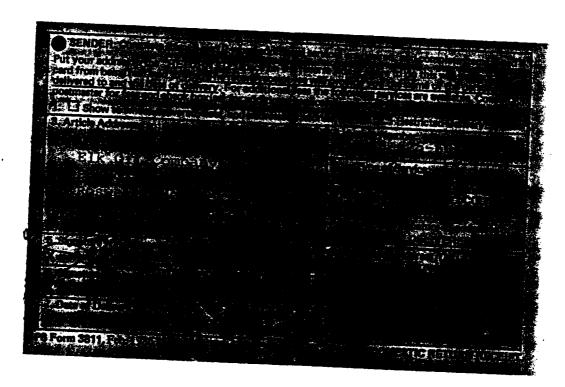
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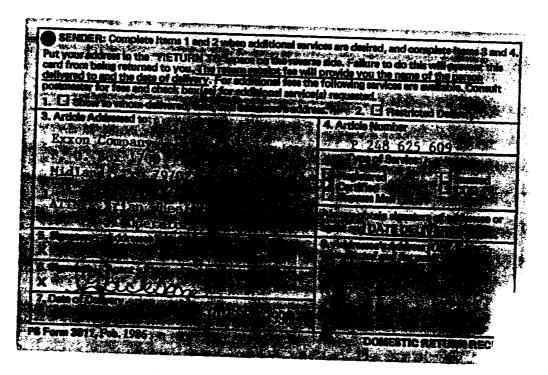
Special Delivery Fee

Special Delivery Fee

Postmark or Date

Q-28-90



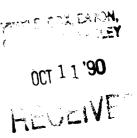


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P. O. DRAWER 3068
MIDLAND, TEXAS 79702

915/683-5271

October 8, 1990



New Mexico Oil & Gas Conservation Commission Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico 87504

ATTN: Mr. Jim Morrow Examiner

RE: North Vacuum (Abo)

North Unit Case No. 10103

Lea County, New Mexico

Dear Mr. Morrow:

Sage Energy Company respectfully requests that it be allowed to use unlined injection tubing in the nineteen injection wells of the subject unit. The tubing will be run on Baker Lokset packers and monitored in accordance with Rule 704-A and B. Fresh water from the Ogalalla formation will be used and since the system will be closed, there will be very little corrosion.

The estimated cost to internally plastic coat the injection tubing is \$325,000.00. This is an addition to the 6 plus million dollars to install the waterflood. The initial investment is excessive because we are flooding a deep tight pay at 8400'. Consequently, the economics are marginal; a 25% ROR BFIT and a 4.8 year payout. Thus, Sage and it's working interest owners are seeking relief

CA CONTERNATION OF THE South THE SOU

from the additional investment of \$325,000.00. Your granting of this request would be greatly appreciated.

Very truly yours,

H. Hardy

Vice-President Engineering

CC: Lee Patrick San Antonio

Jim Bruce

Hinkle, Cox, Eaton Coffield and Hensley

STATE OF NEW MEXICO



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

November 14, 1990

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE. NEW MEXICO B7504 (505) 827-5800

Mr. James Bruce Hinkle, Cox, Eaton, Coffield & Hensley Attorneys at Law 500 Marquette, N.W., Suite 800 Albuquerque, New Mexico 87102-2121	CASE NO. 10102 ORDER NO. R-9358 Applicant: Sage Energy Company
Dear Sir:	
Enclosed herewith are two copies of Division order recently entered in	
Florene Clavidson	
FLORENE DAVIDSON OC Staff Specialist	
Copy of order also sent to:	
Hobbs OCD x Artesia OCD x Aztec OCD	
Other	