

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF ENDURING
RESOURCES, LLC FOR APPROVAL OF
THE ALAMOS CANYON UNIT,
SANDOVAL COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Enduring Resources, LLC, ("Enduring") (OGRID No. 372286) through its undersigned attorneys, files this application with the Oil Conservation Division for an order approving the proposed Alamos Canyon Unit. In support of its application, Enduring states:

1. The proposed Unit Area consists of approximately 5,927.62-acres of the following Federal and Indian allotted lands situated in Sandoval County, New Mexico:

Township 22 North, Range 6 West, N.M.P.M.

Section 3: S/2
Section 4: Lots 3, 4, S/2NW/4, S/2
Section 5: S/2
Section 6: Lots 6, 7, E/2SW/4, SE/4
Section 7: Lots 1, 2, 3, 4, E/2, E/2W/2 (All)
Section 8: All
Section 9: All
Section 10: NW/4
Section 17: N/2
Section 18: Lots 1, 2, E/2NW/4, NE/4

Township 22 North, Range 7 West, N.M.P.M.

Section 11: E/2
Section 12: All
Section 13: N/2, SW/4
Section 14: E/2

2. Enduring is the designated operator under the proposed Unit Agreement and the unitized interval shall be limited in depth from the stratigraphic equivalents of top of the Mancos

Formation, which is the base of the Point Lookout Sandstone of the Mesa Verde Group, at a measured depth of 4,416 feet down to the stratigraphic equivalent of the top of the Graneros Shale Formation, which is the base of the Greenhorn Limestone, at a measured depth of 6,421 feet as encountered in the Enduring Resources Logos #003 (API # 30-043-21135) located in Section 5, Township 22 North, Range 6 West, NMPM, Sandoval County, New Mexico.

3. The proposed Alamos Canyon Unit Agreement (“Unit Agreement”) applies to new horizontal and multi-lateral wells only, and all existing wells within the Unit Area producing from the Mancos-Gallup formation are excluded from the terms of the Unit Agreement. A copy of the proposed Unit Agreement is attached as **Exhibit A**.

3. Enduring has obtained approval of the proposed Unit Agreement from all working interest owners, demonstrating sufficient support to provide effective control of unit operations.


4. Enduring has met with the Bureau of Land Management and received a letter recognizing the proposed unit area as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act. The BLM has also already provided preliminary approval of the Unit Agreement, attached as **Exhibit B**.

5. The Unit Agreement, and the unitized operation and management of the Unit Area, are in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Enduring requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on April 10, 2025, and that after notice and hearing as required by law, the Division enter its order granting this Application.

Respectfully submitted,

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ATTORNEYS FOR ENDURING RESOURCES, LLC

CASE _____: **Application of Enduring Resources, LLC for Approval of the Alamos Canyon Unit, Sandoval County, New Mexico.** Applicant seeks an order approving the proposed Alamos Canyon Unit. The proposed Alamos Canyon Unit includes Federal and Indian allotted lands situated in all or parts of Sections 3 through 9, and 10, 17 through 18 in Township 22 North, Range 6 West, and Sections 11 through 14 in Township 22 North, Range 7 West, NMPM, Sandoval County, New Mexico. The proposed unitized interval shall be limited in depth from the stratigraphic equivalents of top of the Mancos Formation, which is the base of the Point Lookout Sandstone of the Mesa Verde Group, at a measured depth of 4,416 feet down to the stratigraphic equivalent of the top of the Graneros Shale Formation, which is the base of the Greenhorn Limestone, at a measured depth of 6,421 feet as encountered in the Enduring Resources Logos #003 (API # 30-043-21135) located in Section 5, Township 22 North, Range 6 West, NMPM, Sandoval County, New Mexico. The proposed Alamos Canyon Unit Agreement applies to new horizontal and multi-lateral wells only, and all existing wells within the Unit Area producing from the Mancos-Gallup formation are excluded from the terms of the Unit Agreement. The subject acreage is located approximately 6 miles southwest of Counselor, New Mexico.

This is the Model Form for an onshore unit agreement as
found in 43 CFR 3186, with
modifications currently being used.

UNIT AGREEMENT
FOR DEVELOPMENT AND OPERATION OF
THE
ALAMOS CANYON UNIT AREA
COUNTY OF SANDOVAL
STATE OF NEW MEXICO
NO. NMNM106366944

THIS AGREEMENT, entered into as of the _____ day of _____ 2025, by and
between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the
unit area subject to this agreement; and

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

WHEREAS, the Act of March 3, 1909, (35 Stat. 783) as amended by the act of August 9, 1955,
(69 Stat. 540), the Act of May 11, 1938, (52 Stat. 347 as amended, 25 U.S.C., Sec. 396a-g), Act of August 4,
1947, (61 Stat. 732), Indian Mineral Development Act of 1982 (25 U.S.C. 2101-2108), provides that all
operations under any oil and gas lease on tribal and/or allotted Indian lands shall be subject to the rules and
regulations of the Secretary of the Interior, and regulations issued pursuant to said statute provide that, in the
exercise of his judgment, the Secretary may take into consideration, among other things, the Federal laws, state
laws or regulations by competent Federal or State authorities or lawful agreements among operators regulating
either drilling or production or both (25 C.F.R. Sec. 211.28 and 212.28); and,

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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and
secure 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 below defined unit area, and agree severally
among themselves as follows:

- 1. ENABLING ACT AND REGULATIONS.** The Mineral Leasing Act of February 25, 1920, as

amended, supra, and all valid pertinent regulations including operating and unit plan regulations and State of New Mexico rules and regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal, and Indian trust lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, non-Indian trust lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked **Exhibit "A"** is hereby designated and recognized as constituting the unit area, containing **5,927.62 acres**, more or less. The Unit Area is described as follows:

Township 22 North, Range 6 West, N.M.P.M.

Section 3: S/2

Section 4: Lots 3, 4, S/2NW/4, S/2

Section 5: S/2

Section 6: Lots 6, 7, E/2SW/4, SE/4

Section 7: Lots 1, 2, 3, 4, E/2, E/2W/2 (All)

Section 8: All

Section 9: All

Section 10: NW/4

Section 17: N/2

Section 18: Lots 1, 2, E/2NW/4, NE/4

Township 22 North, Range 7 West, N.M.P.M.

Section 11: E/2

Section 12: All

Section 13: N/2, SW/4

Section 14: E/2.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. **Exhibit "B"** attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" or "B" shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in the Exhibits as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized Officer, hereinafter referred to as "AO", and not less than four (4) copies of the revised Exhibits shall be filed with the proper Bureau of Land Management office, and one (1) copy thereof shall be filed with the Federal Indian Minerals Office, hereinafter referred to as "FIMO", and one (1) copy with the New Mexico Oil Conservation Division of the Energy and Minerals Department, hereinafter referred to as "Division".

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO and FIMO), or on demand of the AO, FIMO (after preliminary concurrence by the AO and FIMO), shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion

or contraction, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper BLM office and FIMO, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the AO and FIMO, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the AO and FIMO, become effective as of the date prescribed in the notice thereof or such other appropriate date.

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90-days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities and developed to the satisfaction of the AO by diligent drilling operations under an approved plan of development after the aforesaid five-year period shall become participating in the same manner as during said first five-year period. However, when such diligent drilling operations cease, all nonparticipating lands not then entitled to be in a participating area shall be automatically eliminated effective as of the 91st day thereafter.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed two years may be accomplished by consent of the owners of 90 percent of the working interest in the current nonparticipating unitized lands and the owners of 60 percent of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the AO, provided such extension application is submitted not later than 60 days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in those formations of the unitized land lying below the stratigraphic equivalent of the Top of the Mancos Formation, which is the base of the Point Lookout Sandstone of the Mesaverde Group, at a measured depth of 4,416 feet down to the stratigraphic equivalent of the top of the Graneros Shale Formation, which is the base of the Greenhorn Limestone, at a measured depth of 6,241 feet as encountered in the Enduring Resources Logos #003 well located in Section 5, Township 22 North,

Range 6 West, N.M.P.M., Sandoval County, New Mexico (API#30-043-21135-0000) as set forth on **Exhibit "C"** attached hereto, are unitized under the terms of this agreement and herein are called "unitized substances"; provided, however, that it is the specific intent of the parties hereto not to cause or effectuate any horizontal segregation of any Federal or Indian trust committed hereto as a consequence of the aforementioned depth limitations of the unitized lands. The unitized substances defined herein specifically include the Gallup Sands of the Mancos Group. The Alamos Canyon Unit Area applies to new horizontal and multi-lateral wells only, and all existing wells within the Unit Area producing from the Mancos-Gallup formation shall be excluded from the terms of this agreement, specifically including the following wells:

Section 16, Township 22 North, Range 6 West:

Enduring Resources, LLC Lybrook 2206 16A #221H, A.P.I. #30043211480000;

Enduring Resources, LLC Lybrook 2206 16I #224H, A.P.I.#30043211610000.

Section 5, Township 22 North, Range 6 West:

Enduring Resources, LLC Logos #003, A.P.I # 30043211350000.

4. UNIT OPERATOR. Enduring Resources, LLC is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, 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 interest 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 only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, 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 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO and FIMO and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO and FIMO as to Federal and Indian trust Lands and Division as to fee lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release the Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO and FIMO.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of working interest or other interest in unitized substances, but upon the resignation or removal

of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests according to their respective acreage interests in all unitized land shall, pursuant to Approval of the Parties requirements of the unit operating agreement, select a successor Unit Operator. Such selection shall not become effective until:

- (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and
- (b) the selection shall have been approved by the AO and FIMO.

If no successor Unit Operator is selected and qualified as herein provided, the AO and FIMO at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by 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 govern. Two (2) copies of the unit operating agreement, executed pursuant to this section shall be filed in the proper BLM office and one (1) true copy with FIMO prior to approval of this unit agreement.

8. 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. Acceptable evidence of title to said rights shall be deposited with 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.

9. DRILLING TO DISCOVERY. Within twelve months after the effective date hereof, the Unit Operator shall commence to drill an adequate horizontal test well at a location approved by the AO if on Federal or Indian trust lands, or by the Division if on Fee, unless on such effective date a well is being drilled

in conformity with the terms hereof, and thereafter continue such drilling diligently until the **Mancos formation** has been tested with at least a 5,000 foot horizontal well which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a horizontal length in excess of 5,000 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than six months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO, if on Federal or Indian trust land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

Notwithstanding anything in this Unit Agreement to the contrary, except Section 25, UNAVOIDABLE DELAY, three (3) Obligation Wells shall be drilled with not more than 6-months' time elapsing between the completion of the first well and commencement of drilling operations for the second well and the commencement of drilling operations for the third well, regardless of whether a discovery has been made in any well drilled under this provision. The Obligation Wells will be the Alamos Canyon Unit #222H, #224H, and #226H. They will be horizontal wells targeting the Gallup interval within Mancos Formation. These wells will be drilled from the existing North Escavada Unit 311 pad located in the SE/4 Section 11, Township 22N, Range 7W and have bottom hole locations in the SW/4 Section 13, Township 22N, Range 7W. Each subsequent Obligation Wells' laterals must be located a minimum of 1,200 feet from the lateral of the well preceding it. They will have measured depths (MD) of approximately 10,000 feet. The lateral lengths will be approximately 5,000 feet drilled at a true vertical depth (TVD) of approximately 5,000 feet. Nevertheless, in the event of the discovery of unitized substances in paying quantities by any well, this Unit Agreement shall not terminate for failure to complete the three-well program, but the unit area shall be contracted automatically, effective the first day of the month following the default, to eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to be in a participating area.

Until the establishment of a participating area, the failure to commence a well subsequent to the drilling of the three initial Obligation Wells, as provided for in these sections, within the time allowed including any extension of time granted by the AO, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the Obligation Wells commenced hereunder, the AO may, after 15 days' notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the first of the three Obligation Wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid ab initio by the AO. Failure to commence drilling the required three Obligation Wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid ab initio by the AO.

The AO may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO, with a copy to the Division, an acceptable plan of development and operation for the unitized land which, when approved by the AO, shall satisfy the AO and Division, and constitute the further drilling and development obligations of the Unit Operator under this agreement for a period of twelve (12) months. Thereafter, from time to time before the expiration of any existing plan, the

Unit Operator shall submit for the approval of the AO, with a copy to the Division, a plan for an additional twelve (12) month period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar-year basis not later than March 1 of each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan. The Initial Plan of Development attached hereto as **Exhibit "D"** shall be deemed to be modified and superseded with each subsequent approved Plan of Development.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for determination of the area or areas capable of producing unitized substances in paying quantities in the unitized formation. This plan shall be as complete and adequate as the AO may determine to be necessary for timely development and proper conservation of the oil and gas resources in the unitized area and shall:

- (a) Specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) Provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO is authorized to grant a reasonable extension of the six-month period herein prescribed for submission of the initial plan of development and operation where such action is justified because of unusual conditions or circumstances.

Upon failure by the Unit Operator to timely submit or adhere to an approved plan of development or operation without prior written authorization, the AO or FIMO, at their discretion, shall provide written notice, by certified mail, return receipt requested, to the post office address of Unit Operator as shown by its records, to the Unit Operator of such failure or default and of its intention to eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to be in a participating area. Such written notice shall state that Unit Operator shall have a period of sixty (60) days from receipt of the notice within which to correct such failure or default. If Unit Operator does not correct such failure or default within the 60-day period, the AO or FIMO may issue an order to eliminate lands not then included or entitled to be included in a participating area, effective as of the first day of the next month following the expiration of the 60 days.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO, shall be drilled except in accordance with an approved plan of development and operation.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Unit Operator shall submit for approval by the AO, a schedule, based on subdivision of the public land survey or aliquot parts thereof, of all land within the technically defined drainage area(s) of said well(s), then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the

participating area.

A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO.

The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as not reasonably proved to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area known or reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the AO as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established, the portion of all payments affected thereby shall, except royalty due the United States and the State of New Mexico, be impounded in a manner mutually acceptable to the owners of committed working interests. Royalties due the United States shall be determined by the AO and the amount thereof shall be deposited, as directed by the AO, until a participating area is finally approved and then adjusted in accordance with a determination of the sum due as Federal royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the AO, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in a participating area of the land on which it is situated is unwarranted, production from such well shall, for the purpose of settlement among all parties other than working interest owners, be allocated to the land on which the well is located, unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from a participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land and unleased Federal, Indian trust or State land, if any, included in the participating area established for such production. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land and unleased Federal, Indian trust or State land, if any, included in said participating area. There

shall be allocated to the working interest owner(s) of each tract of unitized land in said participating area, in addition, such percentage of the production attributable to the unleased Federal, Indian trust and State land within the participating area as the number of acres of such unitized tract included in said participating area bears to the total acres of unitized land in said participating area, for the payment of the compensatory royalty specified in Section 17 of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under Section 17, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any operator may with the approval of the AO, at such party's sole risk, costs, and expense, drill a well on the unitized land to test any formation provided the well is outside any participating area established for that formation, unless within 90 days of receipt of notice from said party of his intention to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this section by a non-unit operator results in production of unitized substances in paying quantities such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with terms of this agreement and the unit operating agreement.

If any well drilled under this section by a non-unit operator that obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same, subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States, the lessors of Indian trust land, State and any royalty owner, who is entitled to take in kind a share of the substances now unitized hereunder shall be hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the non-unit operator in the case of the operation of a well by a non-unit operator as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by an operator responsible therefore under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing in this section shall operate to relieve the responsible parties of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of development and operation approved by the AO, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to

any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States and Indian trust lands shall be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal and Indian trust land as provided in Section 12 at the rates specified in the respective Federal or Indian trust leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by the appropriate parties under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the responsible parties of the land from their respective obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States, Indian trust lands or State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases from the United States, Indian lessors or State unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a participating area.

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

17. DRAINAGE.

(a) The Unit Operator shall take such measures as the AO deems appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO, as to Federal and Indian leases.

(b) Whenever a participating area approved under Section 11 of this agreement contains unleased Federal lands, the value of $16 \frac{2}{3}$ percent of the production that would be allocated to such Federal lands under Section 12 of this agreement, if such lands were leased, committed and entitled to participation shall be payable as compensatory royalties to the Federal Government. For any unleased Indian trust lands, the value of 20 percent of the production that would be allocated such lands under Section 12 of this agreement if such lands were leased, committed and entitled to participation shall be payable as compensatory royalties to the mineral owners of the Indian trust lands. Parties to this agreement holding working interests in committed leases within the applicable participating area shall be responsible for such compensatory royalty payment on the volume of production reallocated from the unleased Federal lands to their unitized tracts under Section 12. The value of such production subject to the payment of said royalties shall be determined pursuant to 30 CFR Part 206 rules and regulations. Payment of compensatory royalties on the production reallocated

from unleased Federal and Indian trust to the committed tracts within the participating area shall fulfill the Federal royalty obligation for such production, and said production shall be subject to no further Federal royalty assessment under Section 14 of this agreement. Payment of compensatory royalties as provided herein shall accrue from the date the committed tracts in the participating area that includes unleased Federal and Indian trust lands receive a production allocation, and shall be due and payable monthly by the last day of the calendar month next following the calendar month of actual production. If leased Federal or Indian trust lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal or Indian trust become unleased. Payment due under this provision shall end when the unleased Federal, or Indian trust tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary, as to Federal and Indian leases, shall and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal, Indian trust and Indian leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, 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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will 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 the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO and FIMO shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act, as amended. Any Indian or Indian trust lands lease committed hereto shall continue in force beyond the term

so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established under this Unit Agreement prior to the expiration date of the term of such lease and such lease shall be extended for so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the acts governing the leasing of Indian lands.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States or Indian trust lands committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(m) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784) (30 U.S.C. 226(m)):

"Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

If the public interest requirement is not satisfied, the segregation of a lease and/or extension of a lease pursuant to 43 CFR 3107.32 and 43 CFR 3107.40, respectively, shall not be effective.

If oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease which part is committed to this agreement at the expiration of the fixed term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement.

19. COVENANTS RUN WITH THE LAND. The covenants herein shall be construed to be covenants 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, royalty, or other 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, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the AO and FIMO and shall automatically terminate five years from said effective date unless:

(a) Upon application by the Unit operator such date of expiration is extended by the AO and FIMO,
or

(b) It is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder, and after notice of intention to terminate this agreement on such ground is given by the

Unit Operator to all parties in interest at their last known address, this agreement is terminated with approval of the AO, or

(c) A valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent drilling or reworking operations to restore production or new production are not in progress within 60 days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred, or

(d) It is voluntarily terminated as provided in this agreement. Except as noted herein, this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO. The Unit Operator shall give notice of any such approval to all parties hereto.

If the public interest requirement is not satisfied, the approval of this unit by the AO shall be invalid.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The AO is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law, or do not conform to any Statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. APPEARANCES. The Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations, or in any proceedings relative to operations before the Department, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at its own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last-known address of the party or parties.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing contained in this agreement 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 where the unitized lands are located, or of the United States, 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.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while 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 agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in the open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of section 202 (1) to (7) inclusive, of Executive Order 11246 (30 FR 12319), as amended, which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal lands or leases, no payments of funds due the United States shall be withheld, but such funds shall be deposited as directed by the AO, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

28. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper BLM office and the Unit Operator prior to the approval of this agreement by the AO. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a nonworking interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such nonworking interest. A nonworking interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or 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 such 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.

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operations hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest. If as the result of any such surrender or forfeiture working interest rights become vested in the fee owner of the unitized substances, such owner may:

- (a) Accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or
- (c) Provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six months after the surrendered or forfeited, working interest rights become vested in the fee owner; the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of the unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within 30 days.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land covered by this agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to royalty owners having interests in said-tract, and may currently retain and deduct a sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing contained in this agreement, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership association between the parties

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hereto or any of them.

33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal lease stipulations relating to surface management or such special Federal lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

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

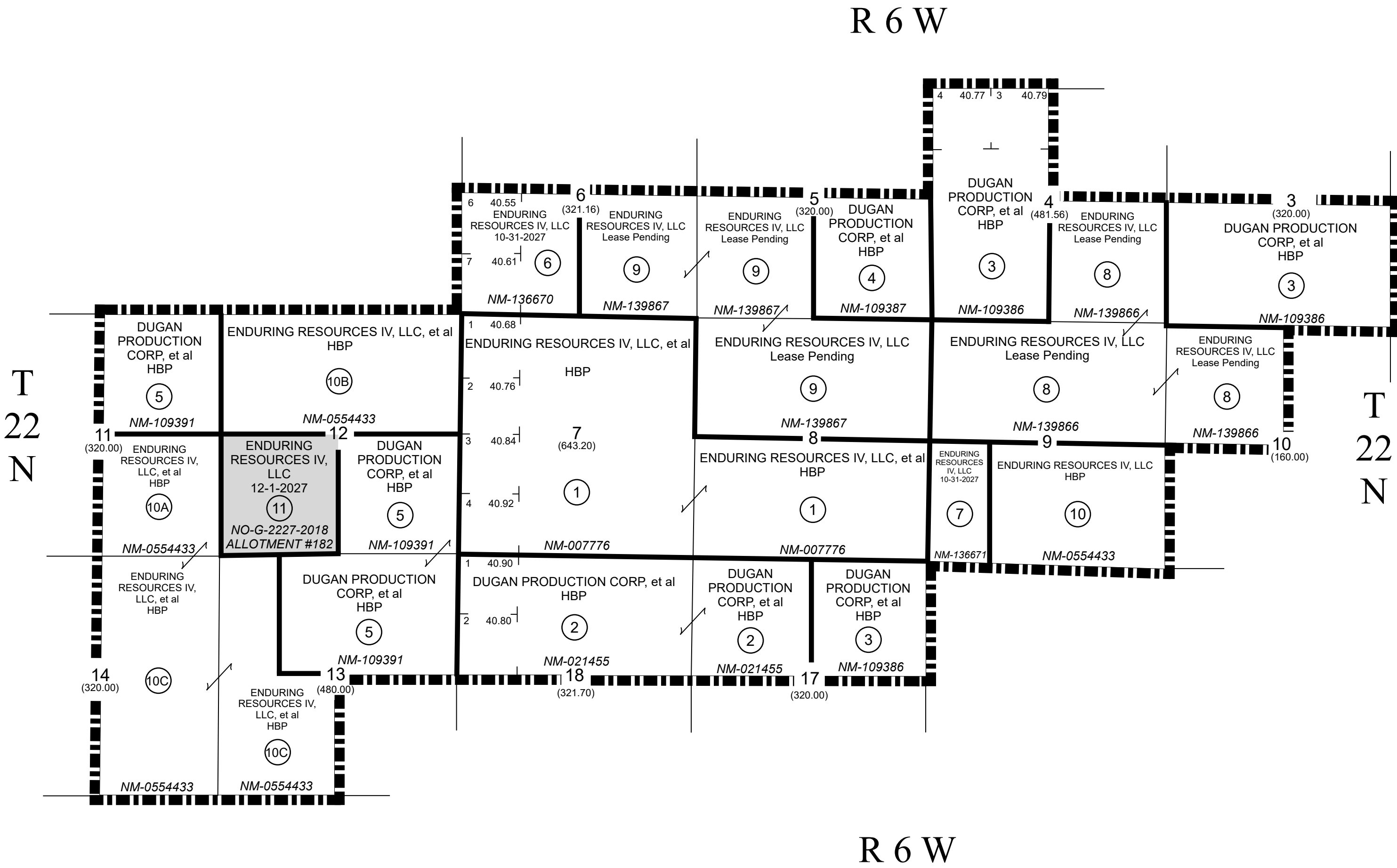


Unit Operator

Dugan Shred corp. - R.D. Merrill 1/16/25

Working Interest Owners

Other Interest Owners



| | | ACREAGE | PERCENTAGE |
|-------------|----------------|----------|------------|
| <div></div> | FEDERAL LANDS | 5,767.62 | 97.30% |
| <div></div> | ALLOTTED LANDS | 160.00 | 2.70% |
| TOTALS | | 5,927.62 | 100.00% |

UNIT OUTLINE

3

 TRACT NUMBER

11/20

1/2

0

1

Scale in Miles

NOTE: UNLESS OTHERWISE NOTED HEREIN THE SECTIONS ON THIS PLAT CONTAIN 640.00 ACRES

EXHIBIT “A”

ALAMOS CANYON UNIT AREA

SANDOVAL COUNTY, NEW MEXICO

ENDURING RESOURCES, LLC

DENVER, COLORADO

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
ALAMOS CANYON UNIT AREA
SANDOVAL COUNTY, NEW MEXICO

From the stratigraphic equivalent of top of the Mancos Formation (base of the Point Lookout Sandstones) at a measured depth of 4.416 feet down to the stratigraphic equivalent of the top of the Graneros Shale (base of the Greenhorn Limestone) at a measured depth of 6.241 feet as encountered in the Enduring Resources, LLC Logos #003 (API # 30-043-21135-0000) well in SE/4SE/4 Section 5, Township 22 North, Range 6 West, N.M.P.M.

2/10/2024

| TRACT NO. | DESCRIPTION OF LAND | NUMBER OF ACRES | SERIAL NUMBER & EXPIRATION DATE OF LEASE | BASIC ROYALTY AND PERCENTAGE | LESSEE OF RECORD AND PERCENTAGE | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE | COMMITTED ACRES | UNCOMMITTED ACRES | UNIT % OF TRACT PARTICIPATION |
|----------------------|--|-----------------|--|------------------------------|--|--|--|---|-------------------|-------------------------------|
| <u>FEDERAL LANDS</u> | | | | | | | | | | |
| 1 | <u>T22N-R6W N.M.P.M.</u> Sec. 7: Lots 1, 2, 3, 4, E/2, E/2W/2 (All) Sec. 8: S/2 | 963.20 | NMNM-007776 Effective 1/10/1968 HBP | U.S.A. - All (12.5% royalty) | Dugan Production Corp. Enduring Resources IV, LLC TOTAL | 62.5000% 37.5000% 100.0000% Royalty Repository II, LLC Bull Moose Royalties, LLC Dugan Production Corp. Virginia Stouffer et ux Stanley H. Singer Revocable Trust The Prospective Investment and Trading Co., Ltd. CMP VIVA LP TOTAL | 4.5000% 0.1969% 0.7813% 0.5000% 0.0703% 0.2250% 0.4453% 6.7188% Enduring Resources IV, LLC Dugan Production Corp. DJR Nominee Corporation TOTAL | 37.5000% 31.2500% 31.2500% 100.0000% | 963.20 | 16.25% |
| 2 | <u>T22N-R6W N.M.P.M.</u> Sec. 17: NW/4 Sec. 18: Lots 1, 2, E/2NW/4, NE/4 (N/2) | 481.70 | NMNM-021455 Effective 1/7/1974 HBP | U.S.A. - All (12.5% royalty) | Dugan Production Corp. | Dugan Production Corp. | 2.5000% Dugan Production Corp. DJR Nominee Corporation TOTAL | 50.0000% 50.0000% 100.0000% | 481.70 | 8.13% |
| 3 | <u>T22N-R6W N.M.P.M.</u> Sec. 3: S/2 Sec. 4: Lots 3, 4, S/2NW, SW/4 Sec. 17: NE/4 | 801.56 | NMNM-109386 Effective 1/12/2002 HBP | U.S.A. - All (12.5% royalty) | Dugan Production Corp. | Dugan Production Corp. | 2.5000% Dugan Production Corp. DJR Nominee Corporation TOTAL | 50.0000% 50.0000% 100.0000% | 801.56 | 13.52% |
| 4 | <u>T22N-R6W N.M.P.M.</u> Sec. 5: SE/4 | 160.00 | NMNM-109387 Effective 1/12/2002 HBP | U.S.A. - All (12.5% royalty) | Enduring Resources IV, LLC JMJ Land & Minerals Company TOTAL | 66.6667% 33.3333% 100.0000% EOG Resources Inc. Oxy Y-1 Company JMJ Resources LLC Aventine Investments LLC Juniper Investments LLC TOTAL | 6.6667% 1.6667% 0.0575% 0.0192% 0.0192% 8.4292% Dugan Production Co. DJR Nominee Corporation TOTAL | 50.0000% 50.0000% 100.0000% | 160.00 | 2.70% |
| 5 | <u>T22N-R7W N.M.P.M.</u> Sec. 11: NE/4 Sec. 12: SE/4 Sec. 13: E/2NW/4, NE/4 | 560.00 | NMNM-109391 Effective 1/12/2002 HBP | U.S.A. - All (12.5% royalty) | Dugan Production Corp. | Dugan Production Corp. | 2.5000% Dugan Production Corp. DJR Nominee Corporation TOTAL | 50.0000% 50.0000% 100.0000% | 560.00 | 9.45% |
| 6 | <u>T22N-R6W N.M.P.M.</u> Sec. 6: Lots 6, 7, E/2SW/4 | 161.16 | NMNM-136670 Effective 1/11/2017 Expires 10/31/2027 | U.S.A. - All (12.5% royalty) | Enduring Resources IV, LLC | Bull Moose Royalties, LLC | 7.5000% Enduring Resources IV, LLC | 100.0000% | 161.16 | 2.72% |

| | | | | | | | | | | | | |
|-----|--|--------|--------------|---|---|-----------------------------------|---|--|--|---|--------|--------|
| 7 | <u>T22N-R6W N.M.P.M.</u> Sec. 9: W/2SW/4 | 80.00 | NMNM-136671 | U.S.A. - All (12.5% royalty) Effective 1/11/2017 Expires 10/31/2027 | Enduring Resources IV, LLC | 100.0000% | Bull Moose Royalties, LLC | 7.5000% | Enduring Resources IV, LLC | 100.0000% | 80.00 | 1.35% |
| 8 | <u>T22N-R6W N.M.P.M.</u> Sec. 4: SE/4 Sec. 9: N/2 Sec. 10: NW/4 | 640.00 | NMNM-139866 | U.S.A. - All (16.67% royalty) Effective Lease Pending Expires | Enduring Resources IV, LLC | 100.0000% | None | | Enduring Resources IV, LLC | 100.0000% | 640.00 | 10.80% |
| 9 | <u>T22N-R6W N.M.P.M.</u> Sec. 5: SW/4 Sec. 6: SE/4 Sec. 8: N/2 | 640.00 | NMNM-139867 | U.S.A. - All (16.67% royalty) Effective Lease Pending Expires | Enduring Resources IV, LLC | 100.0000% | None | | Enduring Resources IV, LLC | 100.0000% | 640.00 | 10.80% |
| 10 | <u>T22N-R6W N.M.P.M.</u> Sec. 9: E/2SW/4, SE/4 | 240.00 | NMNM-0554433 | U.S.A. - All (12.5% royalty) Effective 1/8/1964 HBP | Enduring Resources IV, LLC | 100.0000% | Black Stone Minerals Company, LP Bull Moose Royalties LLC CMP VIVA LP Key Production Company Stanley H. Singer Revocable The Prosepective Investment : TOTAL | 5.0000% 0.9414% 0.4453% 0.0888% 0.0703% 0.2250% 6.7708% | Enduring Resources IV, LLC Dugan Production Corp DJR Nominee Corporation TOTAL | 96.4493% 1.7754% 1.7754% 100.0000% | 240.00 | 4.05% |
| 10A | <u>T22N-R7W N.M.P.M.</u> Sec. 11: SE/4 | 160.00 | NMNM-0554433 | U.S.A. - All (12.5% royalty) Effective 1/8/1964 HBP | Enduring Resources IV, LLC Dugan Production Corp. TOTAL | 71.8750% 28.1250% 100.0000% | Black Stone Minerals Company, LP Dugan Production Corp. Bull Moose Royalties LLC Key Production Company TOTAL | 5.0000% 0.4453% 0.5584% 0.0666% 6.0703% | Enduring Resources IV, LLC Dugan Production Corp. DJR Nominee Corporation TOTAL | 61.7120% 19.1440% 19.1440% 100.0000% | 160.00 | 2.70% |
| 10B | <u>T22N-R7W N.M.P.M.</u> Sec. 12: N/2 | 320.00 | NMNM-0554433 | U.S.A. - All (12.5% royalty) Effective 1/8/1964 HBP | Enduring Resources IV, LLC | 100.0000% | Black Stone Minerals Company, LP Bull Moose Royalties LLC CMP VIVA LP Dugan Production Corp. Key Production Company Inc Stanley H. Singer Revocable The Prosepective Investment : TOTAL | 5.0000% 0.7061% 0.3340% 0.0333% 0.1875% 0.0527% 0.1688% 6.4823% | Enduring Resources IV, LLC Dugan Production Corp. DJR Nominee Corporation TOTAL | 89.8369% 5.0816% 5.0816% 100.0000% | 320.00 | 5.40% |
| 10C | <u>T22N-R7W N.M.P.M.</u> Sec. 13: W/2NW/4, SW/4 Sec. 14: E/2 | 560.00 | NMNM-0554433 | U.S.A. - All (12.5% royalty) Effective 1/8/1964 HBP | Enduring Resources IV, LLC Dugan Production Corp. TOTAL | 71.8750% 28.1250% 100.0000% | Black Stone Minerals Company, LP Bull Moose Royalties LLC Dugan Production Corp. Key Production Company, Inc. TOTAL | 5.0000% 0.5584% 0.3516% 0.0666% 5.9766% | Enduring Resources IV, LLC Dugan Production Corp. DJR Nominee Corporation TOTAL | 71.8750% 14.0625% 14.0625% 100.0000% | 560.00 | 9.45% |

| | | | | | | | | | |
|----|----------------|----------|----------|-------|----|--------|----|------|------|
| 13 | FEDERAL TRACTS | TOTALING | 5,767.62 | ACRES | OR | 97.30% | OF | UNIT | AREA |
|----|----------------|----------|----------|-------|----|--------|----|------|------|

ALLOTED LANDS

| | | | | | | | | | | | | |
|----|---|--------|----------------------------------|---|----------------------------|-----------|------|--|----------------------------|-----------|--------|-------|
| 11 | <u>T22N-R7W N.M.P.M.</u> Sec. 12: SW/4 | 160.00 | N0-G-2227-2018 Allotment #182 | Heirs of TA GOT TO BIT SE -All (1/5th royalty) Effective 2/12/2022 Expires 12/1/2027 | Enduring Resources IV, LLC | 100.0000% | None | | Enduring Resources IV, LLC | 100.0000% | 160.00 | 2.70% |
|----|---|--------|----------------------------------|---|----------------------------|-----------|------|--|----------------------------|-----------|--------|-------|

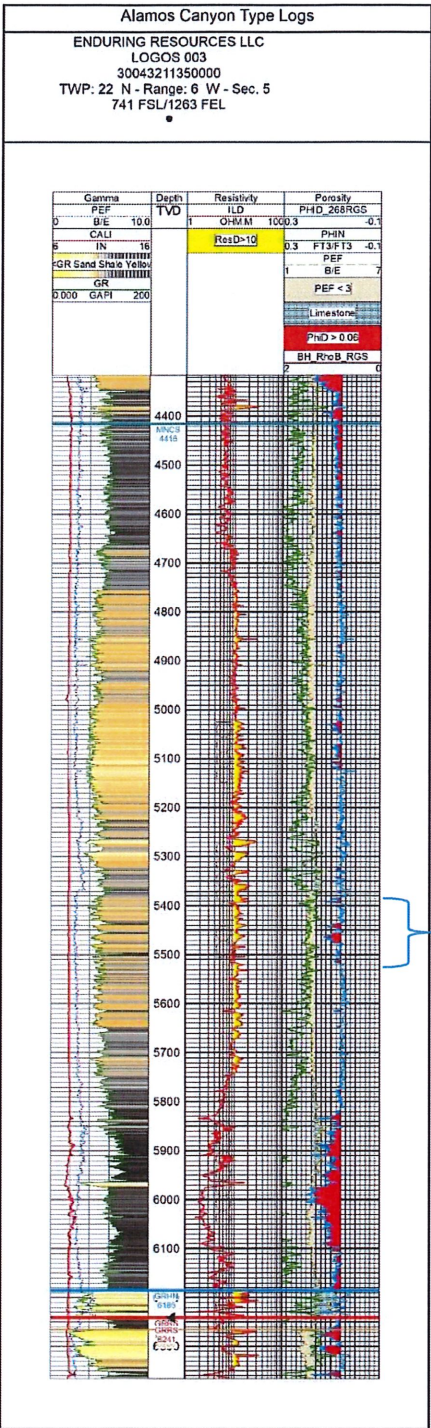
| | | | | | | | | | | |
|---|----------|-------|----------|--------|-------|----|-------|----|------|------|
| 1 | ALLOTTED | TRACT | TOTALING | 160.00 | ACRES | OR | 2.70% | OF | UNIT | AREA |
|---|----------|-------|----------|--------|-------|----|-------|----|------|------|

| | | | | | | | |
|----|--------|----------|----------|-------|----|------|------|
| 14 | TRACTS | TOTALING | 5,927.62 | ACRES | IN | UNIT | AREA |
|----|--------|----------|----------|-------|----|------|------|

100.00%

EXHIBIT "C"

Reference Well



Gallup Target Interval

Type Well for the unit: Enduring Resources Logos #003 (API # 30-043-21135-0000) located in Township 22N, Range 6W, Section 5.

EXHIBIT “D”

Attached to the Unit Agreement, Alamos Canyon Unit, Sandoval County, New Mexico

INITIAL PLAN OF DEVELOPMENT AND OPERATION

1. Obligation Wells. The Unit Operator shall be required to drill three (3) Obligation Wells, with the first well commenced within 12 months from the Effective Date of the Unit in accordance with Article 9 of the Unit Agreement. The Obligation Wells will be the Alamos Canyon Unit #222H, #224H, and #226H. They will be horizontal wells targeting the Gallup interval within Mancos Formation. These wells are planned to be drilled from the existing North Escavada Unit 311 pad located in the SE/4 Section 11, Township 22N, Range 7W and have bottom hole locations in the SW/4 Section 13, Township 22N, Range 7W. They will be spaced roughly 1,200 feet apart and have a measured depths (MD) of approximately 10,000 feet. The lateral lengths will be approximately 5,000 feet drilled at a true vertical depth (TVD) of approximately 5,000 feet. The obligation wells are described in greater detail in the attached schedule.
2. Initial Obligation Well. The ACU #226H shall be designated as the initial unit obligation well. The wellbore of the ACU #226H touches the corner of the Navajo Allottee tract in the SE/4 Section 12, Township 22N, Range 7W, thereby ensuring that this Navajo Allottee lease will be included in the initial Participating Area. The ACU #226 shall be used to validate the Unit acreage as “HBP”, and to do so, the well must be drilled and on production in order to meet the public interest requirement of this agreement, subject to extension as a result of force majeure or as otherwise agreed to by the AO. Permissible extensions will be given for scheduling difficulties, including APDs pending final approval from the BLM FFO. However, to qualify for an extension, Enduring as Operator must show that, taken as a whole, it has exercised reasonable diligence in getting the well/wells on production. When the ACU #226 has at least 6 months of production data, and has been determined to be a well capable of production in paying quantities, Enduring shall file an application for an initial Participating Area for the Obligation Wells.
3. Plan of Development. Please see the attached Geological Report and a “stick map” depicting the full unit plan of development, with an estimated timeline. In addition, the attached aerial photograph of the unit area shows the existing and future infrastructure.
4. Revising the Plan of Development. The Unit Operator will have the option to revise the Plan of Development (“POD”) as necessary due to substantial change in economic conditions, force majeure, or Unavoidable Delays relating to the Unit Operator’s then-existing plan. All changes and revisions will be evaluated by the AO. The AO has the authority to recommend additional changes, and approve or deny approval of the annual POD submitted by Unit Operator, with the intent to work cooperatively with the Unit Operator to identify obstacles and provide extensions, if necessary. This Exhibit “D” to the Unit Agreement shall be deemed to be automatically revised annually to remain consistent with the current year POD, as approved by the AO. The Unit Operator shall provide any additional information as deemed necessary by the AO upon request.

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the **Alamos Canyon Unit Area**, County of Sandoval, State of New Mexico, in a form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement, shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16th day of January, 2025 ^{1.16.25}

OWNER:

DUGAN PRODUCTION CORP

709 East Murray Drive

Farmington, New Mexico 87401

By: Thad D. Merrill

Name: Thad D. Merrill

Title: Land Manager

Phone: 505-543-3052

Email: Thad.Merrill@duganproduction.comCORPORATE / LLC / PARTNERSHIP ACKNOWLEDGMENT

STATE OF New Mexico)
) ss.
COUNTY OF San Juan)

On this 16th day of January, ²⁰²⁵~~2024~~, before me appeared Thad D. Merrill, to me personally known, who, being by me duly sworn, did say that He is the Land Manager of Dugan Production Corp., and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and said Thad D. Merrill acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal.

My Commission Expires:

August 26, 2027

Crystal Gates
Notary Public



STATE OF NEW MEXICO
NOTARY PUBLIC
CRYSTAL GATES
COMMISSION # 1088928
EXPIRES 08/26/2027

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the **Alamos Canyon Unit Area**, County of Sandoval, State of New Mexico, in a form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 20TH day of DECEMBER 2024.

OWNER: **JMJ LAND & MINERALS COMPANY**

Address: 2204 North Santiago Ave.
Farmington, New Mexico 87401

By: 

Name: James Strickler

Title: President

Phone: 505-402-3248

Email: jamesstrickler@msn.com

CORPORATE / LLC / PARTNERSHIP ACKNOWLEDGMENT

STATE OF NEW MEXICO)

COUNTY OF San Juan)

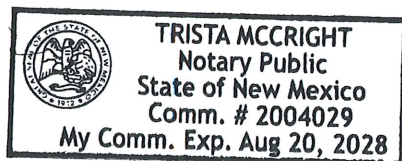
ss.

On this 19 day of December, 2024, before me appeared ^{R.J}**James Strickler**, to me personally known, who, being by me duly sworn, did say that he is the President of **JMJ LAND & MINERALS COMPANY**, and that said instrument was signed and sealed on behalf of said company by authority of its Board of Directors, and said President acknowledged said instrument to be the free act and deed of said company.

WITNESS my hand and official seal.

My Commission Expires:

Aug 20, 2028




Notary Public

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the **Alamos Canyon Unit Area**, County of Sandoval, State of New Mexico, in a form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 20TH day of DECEMBER, 2024.

OWNER: **JMJ RESOURCES LLC**

Address: 2204 North Santiago Ave.

Farmington, New Mexico 87401

By: 

Name: James Strickler

Title: Managing Member

Phone: 505-402-3248

Email: jamesstrickler@msn.com

CORPORATE / LLC / PARTNERSHIP ACKNOWLEDGMENT

STATE OF NEW MEXICO)

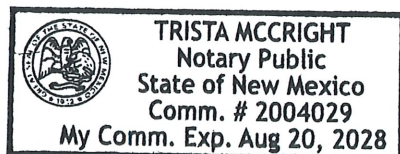
COUNTY OF San Juan) ss.

On this 19 day of Dec., 2024, before me appeared R.J. **James Strickler**, to me personally known, who, being by me duly sworn, did say that he is the Managing Member of MJM RESOURCES LLC, and that said instrument was signed and sealed on behalf of said limited liability company by authority of its Members, and said Managing Member acknowledged said instrument to be the free act and deed of said limited liability company.

WITNESS my hand and official seal.

My Commission Expires:

Aug 20, 2028




Notary Public



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office

301 Dinosaur Trail

Santa Fe, New Mexico 87508

<https://www.blm.gov/new-mexico>

In Reply Refer To:

NMNM106366944

3105.2 (NM92500)

Reference:

Application and Request for Designation

Alamos Canyon Unit

NMNM106366944

Enduring Resources San Juan, LLC

Attn: Alex B Campbell.

6300 South Syracuse Way, Suite 525

Centennial, CO 80111

Gentlemen:

Your application of August 26, 2024, filed with the Bureau of Land Management (BLM) Reservoir Management Group in Santa Fe, NM, requests the designation of the **Alamos Canyon Unit**, embracing **5,927.62** acres, more or less, in Sandoval County, New Mexico is composed of 5,767.62 acres (97.30%) Federal Lands and 160.00 acres (2.70%) Allotted Lands as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to public interest requirements and unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Exhibit "A" and Exhibit "B", the **Alamos Canyon Unit**, Sandoval County, New Mexico, is hereby designated as a logical unit area and has been assigned a pending agreement number **NMNM106366944**. This designation is for all oil and gas in the Mancos Formation, as defined in Section 3 of the Unit Agreement, and is valid for a period of one year from the date of this letter.

The unit agreement submitted for the area designated will provide for the drilling of three (3) obligation wells to test the Mancos Formation with at least three (3) 5,000-foot horizontal well(s) located in SE/4 of Section 11-T22N-R07W on the North Escavada Unit 311 well Pad. The three (3) obligation wells are in the following locations:

Alamos Canyon Unit 226H:

SHL: Section 11, T. 22 N., R. 07 W., Sandoval County, New Mexico

BHL: Section 13, T. 22 N., R. 07 W., Sandoval County, New Mexico

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Alamos Canyon Unit 224H:

SHL: Section 11, T. 29 N., R. 4 W., Sandoval County, New Mexico

BHL: Section 13, T. 22 N., R. 07 W., Sandoval County, New Mexico

Alamos Canyon Unit 222H:

SHL: Section 11, T. 22 N., R. 07 W., Sandoval County, New Mexico

BHL: Section 13, T. 22 N., R. 07 W., Sandoval County, New Mexico

All Unit wells will be required to have the Unit name, such as "Alamos Canyon Unit No. 1H" with consecutive well numbers. All unit wells shall be operated by the Unit operator. As stated in paragraph 3 in the of your proposed unit agreement, unitized substances are as follows:

"All oil and gas in those formations of the unitized land lying below the stratigraphic equivalent of the Top of the Mancos Formation, which is the base of the Point Lookout Sandstone of the Mesaverde Group, at a measured depth of 4,416 feet down to the stratigraphic equivalent of the top of the Graneros Shale Formation, which is the base of the Greenhorn Limestone, at a measured depth of 6,241 feet as encountered in the Enduring Resources Logos #003 well located in Section 5, Township 22 North, Range 6 West, N.M.P.M., Sandoval County, New Mexico (API#30-043-21135-0000) as set forth on Exhibit "C" attached hereto, are unitized under the terms of this agreement and herein are called "unitized substances";..... The unitized substances defined herein specifically include the Gallup Sands of the Mancos Group. The Alamos Canyon Unit Area applies to new horizontal and multi-lateral wells only, and all existing wells within the Unit Area producing from the Mancos-Gallup formation shall be excluded from the terms of this agreement....".

The use of the model form for a Bureau of Land Management (BLM) New Mexico State Office (NMSO) Federal Exploratory Unit, modified as shown in your application, will be accepted with BLM NMSO revisions.

In the event where a suspension or extension is needed, the unit operator must submit the application for a suspension or extension, prior to the expiration date, with thorough and detailed documentation of reasons for requesting a suspension or extension. A detailed Plan of Development may be submitted as well as supporting documentation. Once the unit tracts are unitized, Suspensions of Federal oil and gas leases are outlined in 43 CFR 3103.4-4 and 43 CFR 3165.1. Federal oil and gas lease extensions are outlined in 43 CFR 3105.5-4 and 43 CFR 3107.

Any producible wells producing from the unitized interval that exist in the unit area prior to unitization will not be considered for recognition as unit wells until after establishment of an initial participating area based on the aforementioned obligation wells. If a well is commenced and penetrates the geologic formation specified in Section 9 of the unit agreement prior to final

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unit approval, it cannot be considered as a unit obligation well. In such event, the unit obligation wells must still be drilled.

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

Please include the latest status of all acreage along with a separate recapitulation table of the latest commitment status of the interests in each tract when the executed agreement is submitted for final approval.

In preparing Exhibits "A" and "B", the format of the included sample exhibits of the model form per 43 CFR 3186.1-1 and 43 CFR 3186.1-2 shall be followed with the NMSO revisions. A minimum of three (3) copies of the executed agreement shall be submitted with your request for final approval.

Upon receiving an application by the unit operator with sufficient economic and technical justification and subsequent approval of the Authorized Officer (AO), an initial participating area shall be established for the Mancos formation.

Participating areas within the unit shall encompass only those lands that lie within the productive drainage areas of individual unit wells as determined by reasonable and established geologic and reservoir engineering analysis methods. This is commonly known as a "divided" unit. Such wells must be capable of production of unitized substances in paying quantities.

As provided in 43 CFR 3165.3(b), you may request an administrative review of this decision before the State Director. Per 43 CFR 3165.4, you may appeal any instructions, orders, or decisions issued by the BLM New Mexico State Office directly to the Interior Board of Land Appeals pursuant to the regulations found at 43 CFR 4. A copy of Form 1842-1, *Information on Taking Appeals to the Interior Board of Land Appeals*, is enclosed.

Please contact Ben Barton, Petroleum Engineer, at bcbarton@blm.gov if you have any questions.

Sincerely,

KYLE
PARADIS

Digitally signed by
KYLE PARADIS
Date: 2024.11.18
15:57:22 -07'00'

Kyle Paradis
Branch Chief of Reservoir Management
Division of Minerals

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3 Enclosures:

- 1 – Alamos Canyon Application for Unit Designation (2 pp)
- 2 – Unit Agreement (Amendment) and Exhibits A & B (21 pp)
- 3 – Form 1842-1 (2 pp)

cc: w/ all attachments

NM92500, unit file

Director, Federal Indian Minerals Office (FIMO) – Micah Runnels

FFO – Maureen Joe