

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

**APPLICATION OF DJR OPERATING,  
LLC TO AMEND ORDER NO. R-14194  
AFFECTING THE PONDEROSA UNIT,  
SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO. 23283**

**NOTICE OF REVISED EXHIBITS**

DJR Operating, LLC provides notice that it is revising the evidentiary record in Case No. 23283 by submitting the attached Revised Exhibit B-4, which includes Exhibits A, B and C as attachments to the Unit Agreement that had been inadvertently left off the Exhibit B-4 when it was filed.

Respectfully submitted,

**HOLLAND & HART LLP**



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**ATTORNEYS FOR DJR OPERATING, LLC**

**FEDERAL / INDIAN / STATE / FEE UNIT AGREEMENT**

**FOR THE DEVELOPMENT AND OPERATION**

**OF THE**

**PONDEROSA UNIT AREA**

**COUNTY OF SAN JUAN**

**STATE OF NEW MEXICO**

**CONTRACT NO. NMNM142119X**

THIS AGREEMENT, entered into as of the\_\_ day of \_\_\_\_\_,20\_, 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 operations 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 rules and regulations governing the leasing of Allotted and Tribal Indian lands for oil and gas promulgated by the Secretary of the Interior (25 CFR parts 211 and 212) under and pursuant to the Act of March 3, 1909, ch. 263, 35 Stat. 783 as amended, the Act of May 11, 36 1938, ch. 198, Sec. 1, 52 Stat. 347, 25 U.S.C. Sec. 396 and 396a, and the Act of December 22, 1982, Sec. 3, 96 Stat. 1938, 25 U.S.C. 2102, and the oil and gas leases covering said Allotted and Tribal Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation. Wherever the term Authorized Officer (AO) appears in the text of this agreement, it shall refer to the appropriate delegated authority within the Federal Indian Minerals Office (FIMO), the Bureau of Indian Affairs (BIA), or the Bureau of Land Management (BLM). However, all submissions are to be made through the proper BLM office for review and distribution to the FIMO or BIA; and

**BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
REVISED Exhibit No. B4  
Submitted by: DJR Operating, LLC  
Hearing Date: January 5, 2023  
Case No. 23283**

WHEREAS, 19-10-45, 46, 47 NM Statutes 1978 Annotated, authorizes the Commissioner of Public Lands of the State of New Mexico to consent to and approve the development or operation of State lands under cooperative agreements made by lessees of State land jointly or severally with other lessees of State lands, with lessees of the United States or with others in agreements collectively adopting and operating under a unit plan of development or operations of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the oil and gas resources of the State; and

WHEREAS, the parties hereto hold sufficient interests in the Ponderosa 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, the Allotted and Tribal Leasing Acts, as amended, and the Indian Mineral Development Act, supra, and all valid pertinent regulations including operating and unit plan regulations and State of New Mexico leases and 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, Indian, and State lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal and non- Indian 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 and non-Indian 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 **8,644.16 acres**, more or less.

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," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner," 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 Land Commissioner.

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 Land Commissioner), or on demand of the AO and Land Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of the month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper BLM office and Land Commissioner, 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 the Land Commissioner 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, the Commissioner of the Bureau of Indian Affairs or his duly authorized representative, and the Land Commissioner, 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 less than three wells drilled and completed within a single anniversary year. 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 Land Commissioner and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities by diligent drilling operations 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 either the beginning of the anniversary year in which the "diligent drilling" obligation was not met or first day of the month following completion rig release from last well drilled in satisfaction of the "diligent drilling" obligation for said anniversary year, whichever is the later.

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 (90%) of the working interest in the current nonparticipating unitized lands and the owners of 60 percent (60%) of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the AO and Land Commissioner, 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 of the unitized lands in the Mancos Shale Group, including genetically related rocks from below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) identified at 3,755 feet Measured Depth to the stratigraphic equivalent of the base of the Mancos Shale identified at 5,568 feet Measured Depth as shown in the December Dream 1 well (API: 30-045-25862) located in T. 23N, R. 9W, Section 7, San Juan County, New Mexico are unitized under the terms of this agreement and herein are called "unitized substances (see type log attached as Exhibit "C") provided, however, that it is the specific intent of the parties hereto not to cause or effectuate any horizontal segregation of any Federal, Indian or State lease committed hereto as a consequence of the aforementioned depth limitations of the unitized substances.

All existing vertical and horizontal Gallup (Mancos) wells within the unit area shall be excluded from the terms of this agreement.

**4. UNIT OPERATOR.** DJR Operating, 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 Land Commissioner and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal and Indian lands, and the Land Commissioner as to State Lands, and the 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 Land Commissioner.

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 the working interest owners, the owners of the working interests according to their respective acreage interests in all unitized land shall, pursuant to the 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.

If no successor Unit Operator is selected and qualified as herein provided, the AO at his 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 the case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of the unit operating agreement, executed pursuant to this section shall be filed in the proper BLM office 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 six months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO and Land Commissioner, 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 1-mile horizontal well or until at a lesser depth unitized substances shall be discovered 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 and Land Commissioner 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 the horizontal portion of said well to a length in excess of 5,280 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one or more well(s) 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 and Land Commissioner 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. The AO and Land Commissioner may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Until the establishment of a participating area, the failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO and Land Commissioner, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO may, after 15 days' notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid *ab initio* by the AO. In the case of multiple well requirements, failure to commence drilling the required multiple 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 and Land Commissioner.

**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 and Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the authorized officer, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO and Land Commissioner a plan for an additional specified 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.

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 each and every productive formation. This plan shall be as complete and adequate as the AO and Land Commissioner 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 and Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of the plan of development and operation where such action is justified. Upon failure by the Unit Operator to timely submit or adhere to an approved plan of development or operation without prior written authorization, the Land Commissioner, at its 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 State 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 Land Commissioner may issue an order to eliminate State 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 and Land Commissioner, 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 subdivisions of the public land survey or aliquot parts thereof, of only the land 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 and Land Commissioner, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of Federal, Indian, State, and non-Federal and non-Indian 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 and Land Commissioner. 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 and Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO and Land Commissioner, 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. 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 foundation 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 and Land Commissioner 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 Indians, be impounded in a manner mutually acceptable to the owners of committed working interests. Royalties due the United States and the Indians 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 and Indian royalty on the basis of such approved participating area. Royalties due the State of New Mexico shall be determined by the Land Commissioner, and the amount thereof shall be deposited, as directed by the State, until a participating area is finally approved.

Whenever it is determined, subject to the approval of the AO and Land Commissioner, 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 proportionately allocated on a surface acre basis to the land included in area designated as a Standard Spacing Unit pursuant to NMAC Title 19 for either vertical or horizontal wells, as applicable, unless all of 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 and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of 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 land and unleased Indian 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 and Indian 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. The unit operator must set aside all funds attributable to unleased Federal and Indian acreage in an interest-earning escrow or trust account. 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 and Land Commissioner, 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 the terms of this agreement and the unit operating agreement.

If any well drilled under this section by a non-unit operator 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 and the Indians and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall 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 and Land Commissioner, 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 and Land Commissioner 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 the Indians 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 Land as provided in Section 12 at the rates specified in the respective Federal and Indian 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. Royalty due the State of New Mexico shall be determined by the pertinent State regulations, or by the Land Commissioner where authorized by law or regulation.

**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 and the Indians subject to this agreement shall be paid at the rate specified in the respective leases from the United States and the Indians 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 and non-Indian 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. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases, or by the Land Commissioner where authorized by law or regulation.

**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 Federal, Tribal or State law or regulation.

**17. DRAINAGE AND DILIGENCE.**

(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 and the Land Commissioner as to State leases.

(b) Whenever a participating area approved under Section 11 of this agreement contains unleased Federal lands, the value of 16-2/3 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. 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. Payment of compensatory royalties on the production reallocated from unleased Federal land 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 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 lands receiving a production allocation from the participating area become unleased, compensatory royalties shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first.

(c) If leased Indian lands receiving a production allocation from the participating area become unleased, the value of 100 percent (8/8ths) of the production that would be allocated to such Indian lands under Section 12 of this agreement, if such lands were leased, committed and entitled to participation, shall be impounded in a manner mutually acceptable to the owners of committed working interests and the AO, accruing from the date the Indian lands become unleased. The value of such production subject to such impoundment shall be determined pursuant to 30 CFR Part 206. Impoundment of funds under this provision shall end when the unleased Indian tract is leased or when production of unitized substances ceases within the participating area and the participating area is terminated, whichever occurs first. When the unleased Indian tract is leased, the Indian mineral owner shall be paid the fraction of the accrued impounded funds corresponding to the royalty rate of the lease, and the remaining funds shall be released to the unit interest owners in accordance with the unit operating agreement.

(d) The AO, Commissioner of the Bureau of Indian Affairs, and Land Commissioner may require the drilling and production of such wells to insure reasonable diligence in the development and operation of the unitized area, or in lieu of drilling, require the payment of an amount as determined by the aforementioned respective agency officials to compensate the interest owners in full each month for the estimated loss of royalty.

**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 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 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 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 the Indians 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.

(f) Any Indian 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 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.

(g) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States and the Indians committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the terms of Section 18.(e) and Section 18.(f) above, 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.

(h) 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 CPR 3107.3-2 and 43 CPR 3107.4, respectively, shall not be effective.

(i) Any Indian lease committed in part to any such cooperative agreement (unit agreement) shall be segregated into a separate lease or leases as to the lands committed and lands not committed to the agreement.

(j) Any lease, other than a Federal or Indian lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, (SI).ch payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

Any lease embracing lands of the State of New Mexico of which only a portion is committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as two separate leases as to such segregated portions, commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced within the unitized area and committed to this agreement, in accordance with the terms of this agreement. 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; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of

its lands committed hereto upon which oil and gas, or either of them, has been discovered is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the fixed term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

**19. COVENANTS RUN WITH 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, Commissioner of the Bureau of Indian Affairs, and the Land Commissioner 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 Land Commissioner, 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 addresses, this agreement is terminated with the approval of the AO, Commissioner of the Bureau of Indian Affairs, and the Land Commissioner, 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 and Land Commissioner. 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 three agency officials shall be invalid.

**21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.** The AO and Land Commissioner are 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, Tribal 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 and Land Commissioner are also hereby vested with the 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, Tribal or State law.

Powers in this section vested in the AO and Land Commissioner 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 the New Mexico Land Commissioner 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 of [Name of specific Tribe/Indian Agency], 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, Tribal, 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.**

(a) 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. However, the Unit

Operator shall comply with the terms and conditions of the Indian leases while engaged in operations hereunder with respect to the employment of available, qualified Indian labor. Unit Operator shall employ Indian labor in all positions for which they are qualified, including oil field service contracts, and shall protect the Indian grazing rights and other Indian rights to the surface of the lands.

(b) Operator shall include the provisions of subparagraph (a) above in every subcontract or purchase order so that such provisions will be binding upon each subcontractor or vendor.

**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 and Indian lands or leases, no payments of funds due the United States or the Indians 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, FIMO or BIA office, Land Commissioner, and the Unit Operator prior to the approval of this agreement by the AO, FIMO or BIA, and Land Commissioner. 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, FIMO or BIA, and Land Commissioner 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. INDIAN EMPLOYMENT.** The Unit Operator shall comply with the terms and conditions of the leases on Indian lands with respect to the employment of available Indian labor while engaged in operations hereunder.

**31. 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.

**32. 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 the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

**33. 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 hereto or any of them.

**34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS.** Nothing in this agreement shall modify or change either the special Federal or Indian lease stipulations relating to surface management or such special Federal or Indian lease stipulations relating to surface and environmental protection, attached to and made a part of, Federal or Indian oil and gas leases covering lands within the Unit Area. No surface locations for wells or miscellaneous surface including tank batteries, well pads, or other related infrastructure shall be placed within the Chaco Buffer Area (See attached Exhibit \_\_\_ ) that covers portions of Sections 4, 9, 13 and 14 of Township 23 North, Range 10 West.

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**

**DJR OPERATING, LLC**

\_\_\_\_\_  
Kurt S. Froistad, Land Manager

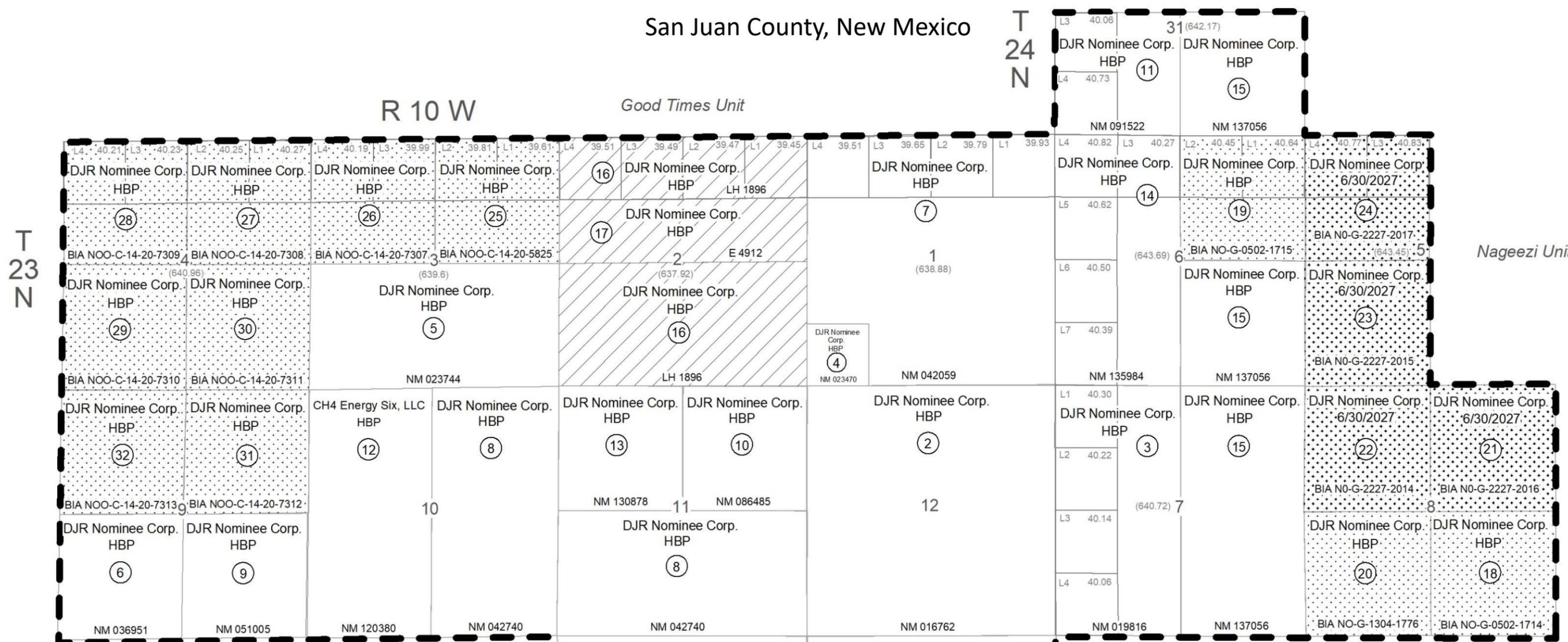
Execution of Working Interest Owner joined by  
Separate Ratification and Joinder document  
\_\_\_\_\_  
Working Interest Owners

Execution of Other Interest Owners joined by  
Separate Ratification and Joinder document  
\_\_\_\_\_  
Other Interest Owners

# Exhibit "A" Ponderosa Unit



San Juan County, New Mexico



## Legend

- Ponderosa Unit
- Tract Number

	Federal Lands	5,602.99	64.818213%
	State Lands	637.92	7.379780%
	Navajo Allotted Lands	2,403.25	27.802007%



<b>Total Unit Acres</b>	<b>8,644.16</b>	<b>100.000000%</b>
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Note: Unless otherwise noted herein the sections on this plat contain 640.00 acres

**EXHIBIT "B"**  
*Schedule Showing Percentage and Kind of Ownership of Oil and Gas Interests*  
**PONDEROSA UNIT**  
**NMNM 142119X**  
 San Juan County, New Mexico

The Oil and Gas Lease ownerships described in this schedule are limited to the stratigraphic equivalent of the interval described as the Mancos Shale Group, including the genetically related rocks from from below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) identified at 3,755' MD to the stratigraphic equivalent of the base of the Mancos Shale (base of Greenhorn Limestone) identified at 5,568' MD as shown in the December Dream 1 well (API # 30-045-25862) located in Township 23 North, Range 9 West, Section 7, San Juan County, New Mexico, as reflected on Exhibit "C" attached hereto.

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Mineral Interest	Lessee of Record and Percentage	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
<b><u>FEDERAL LANDS:</u></b>								
1	Township 23 North, Range 10 West, NMPM Section 13 SE4NE4 Section 14 All	680.00	NMNM 013956 Effective Date 7/1/1971 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	R F Partnership, Ltd 2.000000% L Claude & Betty T Roark 1.000000% Claudia B Guerrina 1.000000% Coleman Oil & Gas, Inc. 2.250000% JMJ Land and Minerals Company 0.750000% Dugan Production Corp. 0.250000%	DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
2	Township 23 North, Range 10 West, NMPM Section 12 All Section 13 NW4, W2NE4, NE4NE4	920.00	NMNM 016762 Effective Date 5/1/1973 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	USA - ALL (12.50%)	Lisa K Hood 1.500000% Robin J Hood 1.500000% Diamondback Energy 4.500000%	DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
3	Township 23 North, Range 9 West, NMPM Section 7 Lots 1 (40.30 NWNW), 2 (40.22 SWNW), , 3 (40.14 NWSW), 4 (40.06 SWSW), E2W2	320.72	NMNM 019816 Effective Date 1/1/1974 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	USA - ALL (12.50%)	Diamondback Energy 4.500000% Haymaker Holding Company, LLC 2.500000% D.L. & B.K. Carpenter 0.500000%	DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
4	Township 23 North, Range 10 West, NMPM Section 1 SW4SW4	40.00	NMNM 023470 Effective Date 2/1/1975 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	USA - ALL (12.50%)	Diamondback Energy 4.500000% Mary Nan Spear Revocable Trust 2.500000%	DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
5	Township 23 North, Range 10 West, NMPM Section 3 S2	320.00	NMNM 023744 Effective Date 2/1/1975 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	USA - ALL (12.50%)	<u>Insofar as Unitized Interval lying above the base of the Gallup Formation</u> SECO Energy Corp. <sup>(1)</sup> 3.000000% Dugan Production Corp. 2.250000%	<u>Insofar as Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
							<u>Insofar as Unitized Interval lying below the base of the Gallup Formation</u> Haymaker Holding Company, LLC 7.000000% SECO Energy Corp. <sup>(1)</sup> 3.000000%	<u>Insofar as Unitized Interval lying below the base of the Gallup Formation</u> DJR Nominee Corporation 100.000000%
6	Township 23 North, Range 10 West, NMPM Section 9 SW4	160.00	NMNM 036951 Effective Date 8/1/1979 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	Janet R. Larson 0.500000% Puckett Energy Co. 1.100000% Altrogge Resources Co., LLC 1.100000% Carl L. Kennedy 0.200000% Robert M. Miller 0.200000% Amvest West, Inc. (CONSOL) 0.400000% Dugan Production Corp. 2.000000%	DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
7	Township 23 North, Range 10 West, NMPM Section 1 Lots 1 (39.93 NENE), 2 (39.79 NENE), 3 (39.65 NENE), 4 (39.51 NWNW), S2N2, N2S2, SE4SW4, S2SE4	598.88	NMNM 042059 Effective Date 11/1/1981 Expiration Date HBP	100.000000%	Dugan Production Corp. 75.000000% Bolack Minerals Co. 25.000000%	USA - ALL (12.50%)	George Volis <sup>(2)</sup> 5.000000% Dugan Production Corp. 1.875000%	DJR Nominee Corporation 37.500000% Dugan Production Corp. 37.500000% Tommy Bolack Minerals Corp 25.000000%

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Mineral Interest	Lessee of Record and Percentage	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
8	Township 23 North, Range 10 West, NMPM Section 10 E2 Section 11 S2	640.00	NMNM 042740 Effective Date 11/1/1981 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	Maurice G. and Lorraine Olson Dugan Production Corp. 1.750000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%
9	Township 23 North, Range 10 West, NMPM Section 9 SE4	160.00	NMNM 051005 Effective Date 4/1/1982 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	Alta L McDougall Revocable Trust Dugan Production Corp. 0.625000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%
10	Township 23 North, Range 10 West, NMPM Section 11 NE	160.00	NMNM 086485 Effective Date 6/1/1991 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	Dugan Production Corp. 2.500000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%
11	Township 24 North, Range 9 West, NMPM Section 31 Lots 3 (40.06 NWSW), 4 (40.73 SWSW), E2SW4	160.79	NMNM 091522 Effective Date 9/1/1993 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	Dugan Production Corp. 2.500000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%
12	Township 23 North, Range 11 West, NMPM Section 10 W2	320.00	NMNM 120380 Effective Date 8/1/2008 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	None	Hilcorp San Juan, L.P. Dugan Production Corp. 49.000000%
13	Township 23 North, Range 10 West, NMPM Section 11 NW4	160.00	NMNM 130878 Effective Date 12/1/2013 Expiration Date 11/30/2023	100.000000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%	USA - ALL (12.50%)	Dugan Production Corp. 1.250000%	DJR Nominee Corporation Dugan Production Corp. 75.000000%
14	Township 23 North, Range 9 West, NMPM Section 6 Lots 3 (40.27 NENW), 4 (40.82 NWNW), 5 (40.62 SWNW), 6 (40.50 NWSW), 7 (40.39 SWSW), SE4NW4, E2SW	322.60	NMNM 135984 (Segregated from NMNM 008005) Effective Date 1/1/1969 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	USA - ALL (12.50%)	None	DJR Nominee Corporation 100.000000%
15	Township 23 North, Range 9 West, NMPM Section 6 SE4 Section 7 E2 Township 24 North, Range 9 West, NMPM Section 31 SE4	640.00	NMNM 137056 (Segregated from NMNM 004958) Effective Date 5/1/1968 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	USA - ALL (12.50%)	Hanland Oil Corporation Trustees of the Living Trust of Glenn R. Gentle dated 2/20/1997 Dugan Production Corp. 1.250000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%
<b>15 Federal Tracts totalling</b>		<b>5,602.99</b>	<b>acres or 80.793651% of Unit Area</b>					

**STATE LANDS:**

16	Township 23 North, Range 10 West, NMPM Section 2 Lots 1 (39.45 NENE), 2 (39.47 NWNE), 3 (39.49 NENW), 4 (39.51 NWNW), S2	477.92	LH 1896 Effective Date 11/1/1982 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	State of New Mexico - All (12.50%)	Dugan Production Corp. 2.500000%	DJR Nominee Corporation Dugan Production Corp. 50.000000%
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Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Mineral Interest	Lessee of Record and Percentage	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage	
17	Township 23 North, Range 10 West, NMPM Section 2 S2N2	160.00	ST NM E0 4912 Effective Date  12/29/1950 Expiration Date HBP	100.000000%	SIMCOE, LLC	State of New Mexico - All (12.50%)	Randall Scott Gonsales Garrett Quintana Sr. Rebecca Scott Gonzales Elizabeth Villa Charlene Nassif Sandra Salata Elmora Romero Sandra Collins Jmski, Inc. 0.375000% 0.375000% 0.375000% 0.375000% 0.375000% 0.375000% 0.375000% 1.000000%	SIMCOE, LLC 100.000000%	
<b>2 State Tract totalling</b>		<b>637.92</b>	<b>acres or 6.389766% of Unit Area</b>						

**PATENTED LANDS:**

**SEE FOLLOWING NAVAJO ALLOTTED TRACTS FOR FEE MINERAL / LEASE INTERESTS UNDER NAVAJO ALLOTTED TRACTS:**

- TRACT 21 (Allotment #006)
- TRACT 22 (Allotment #010M)
- TRACT 22 (Allotment #011M)

<b>-0- Patented Tracts totalling</b>		<b>-</b>	<b>acres or 0.00% of Unit Area</b>						
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**NAVAJO ALLOTTED LANDS:**

18	Township 23 North, Range 9 West, NMPM Section 8 SE4	160.00	BIA NO-G-0502-1714 (Allotment #008) Effective Date 2/24/2005 Expiration Date HBP	100.000000%	Dugan Production Corp.	100.000000%	Heirs of Nah Claw Ha Pah - ALL (16.67%)	Dugan Production Corp.	1.666667%	DJR Nominee Corporation Dugan Production Corp.	50.000000% 50.000000%
19	Township 23 North, Range 9 West, NMPM Section 6 Lots 1 (40.64 NENE), 2 (40.45 NWNE), S2NE4	161.09	BIA NO-G-0502-1715 (Allotment #013) Effective Date 2/24/2005 Expiration Date HBP	100.000000%	Dugan Production Corp.	100.000000%	Heirs of Nah Ti Yaz Za - ALL (16.67%)	Dugan Production Corp.	1.666667%	DJR Nominee Corporation Dugan Production Corp.	50.000000% 50.000000%
20	Township 23 North, Range 9 West, NMPM Section 8 SW4	160.00	BIA NO-G-1304-1776 (Allotment #009) Effective Date 2/24/2005 Expiration Date HBP	100.000000%	Dugan Production Corp.	100.000000%	Heirs of Yap nip pah Lopez - ALL (20.00%)	None		DJR Nominee Corporation Dugan Production Corp.	50.000000% 50.000000%
21	Township 23 North, Range 9 West, NMPM Section 8 NE4	160.00	BIA N0-G-2227-2016 (Allotment #006) Effective Date 6/30/2022 Expiration Date 6/30/2027	99.218750%	DJR Nominee Corporation	100.000000%	Heirs of Es Ske Et Sosa - ALL (20%)	None		DJR Nominee Corporation	100.000000%
			Charles W. Madden - 1/6 Walter H. Madden - 1/6 Theresa M. Chambers - 1/6 Kathleen L. White - 1/6 Elizabeth A. Whittmore - 1/6 Estate of Mary Ellen Madden - 1/6	0.7812500%	DJR Assets, LLC	100.000000%	Charles W. Madden - 1/6 Walter H. Madden - 1/6 Theresa M. Chambers - 1/6 Kathleen L. White - 1/6 Elizabeth A. Whittmore - 1/6 Estate of Mary Ellen Madden - 1/6 (20%)	None		DJR Assets, LLC	100.000000%
22	Township 23 North, Range 9 West, NMPM Section 8 NW4	160.00	BIA N0-G-2227-2015 (Allotment #010M) Effective Date	99.978298%	DJR Nominee Corporation	100.000000%	Heirs of Nal Ja Ha - ALL (20%)	None		DJR Nominee Corporation	100.000000%

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Mineral Interest	Lessee of Record and Percentage	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
			6/30/2022 Expiration Date 6/30/2027					
22 (Cont'd)	Township 23 North, Range 9 West, NMPM Section 8 NW4		Charles W. Madden - 1/6 Walter H. Madden - 1/6 Theresa M. Chambers - 1/6 Kathleen L. White - 1/6 Elizabeth A. Whittmore - 1/6 Estate of Mary Ellen Madden - 1/6	0.0217020%	DJR Assets, LLC 100.000000%	Charles W. Madden - 1/6 Walter H. Madden - 1/6 Theresa M. Chambers - 1/6 Kathleen L. White - 1/6 Elizabeth A. Whittmore - 1/6 Estate of Mary Ellen Madden - 1/6 (20%)	None	DJR Assets, LLC 100.000000%
23	Township 23 North, Range 9 West, NMPM Section 5 SW4	160.00	BIA NO-G-2227-2015 (Allotment #011M) Effective Date 6/30/2022 Expiration Date 6/30/2027	99.978298%	DJR Nominee Corporation 100.000000%	Heirs of Ah Ka De Pah - ALL (20%)	None	DJR Nominee Corporation 100.000000%
			Charles W. Madden - 1/6 Walter H. Madden - 1/6 Theresa M. Chambers - 1/6 Kathleen L. White - 1/6 Elizabeth A. Whittmore - 1/6 Estate of Mary Ellen Madden - 1/6	0.0217020%	DJR Assets, LLC 100.000000%	Charles W. Madden - 1/6 Walter H. Madden - 1/6 Theresa M. Chambers - 1/6 Kathleen L. White - 1/6 Elizabeth A. Whittmore - 1/6 Estate of Mary Ellen Madden - 1/6 (20%)	None	DJR Assets, LLC 100.000000%
24	Township 23 North, Range 9 West, NMPM Section 5 Lots 3 (40.83 NENW), 4 (40.77 NWNW), S2NW4	161.60	BIA NO-G-2227-2017 (Allotment #015) Effective Date 6/30/2022 Expiration Date 6/30/2027	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of Hod Des Pah - ALL (Unleased)	None	DJR Nominee Corporation 100.000000%
25	Township 23 North, Range 10 West, NMPM Section 3 Lots 1 (39.61 NENE), 2 (30.81 NWNE), S2NE4	159.42	BIA NOO-C-14-20-5825 (Allotment #258807) Effective Date 3/5/1976 Expiration Date HBP	100.000000%	Dugan Production Corp. 100.000000%	Heirs of Uska ye ne le wood- ALL (16.67%)	Dugan Production Corp. 1.666667%	DJR Nominee Corporation Dugan Production Corp. 50.000000% 50.000000%
26	Township 23 North, Range 10 West, NMPM Section 3 Lots 3 (39.99 NENW), 3 (40.19 NWNW), S2NW4	160.18	BIA NOO-C-14-20-7307 (Allotment #258805) Effective Date 2/25/1976 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of Kah ne pah- ALL (16.67%)	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation Dugan Production Corp. 50.000000% 50.000000%
							<u>Insofar as the Unitized Interval lying below the base of the Gallup Formation</u> None	<u>Insofar as the Unitized Interval lying below the base of the Gallup Formation</u> DJR Nominee Corporation 100.000000%
27	Township 23 North, Range 10 West, NMPM Section 4 Lots 1 (40.27 NENE), 2 (40.25 NWNE), S2NE4	160.52	BIA NOO-C-14-20-7308 (Allotment #258803) Effective Date 3/18/1976 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of Nah ti ye ne wood - ALL (16.67%)	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation Dugan Production Corp. 50.000000% 50.000000%
							<u>Insofar as the Unitized Interval lying below the base of the Gallup Formation</u> None	<u>Insofar as the Unitized Interval lying below the base of the Gallup Formation</u> DJR Nominee Corporation 100.000000%
28	Township 23 North, Range 10 West, NMPM	160.44	BIA NOO-C-14-20-7309	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of I sin nus pah - ALL	<u>Insofar as the Unitized Interval lying above</u>	<u>Insofar as the Unitized Interval lying above</u>

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Mineral Interest	Lessee of Record and Percentage	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
	Section 4 Lots 3 (40.23 NENW), 3 (40.21 NWNW), S2NW4		(Allotment #258801) Effective Date 3/18/1976 Expiration Date HBP			(16.67%)	<u>the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>the base of the Gallup Formation</u> DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
29	Township 23 North, Range 10 West, NMPM Section 4 SW4	160.00	BIA NOO-C-14-20-7310 (Allotment #258802) Effective Date 3/18/1976 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of I tah e pah - ALL (16.67%)	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
30	Township 23 North, Range 10 West, NMPM Section 4 SE4	160.00	BIA NOO-C-14-20-7311 (Allotment #258804) Effective Date 3/18/1976 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of Nah gli ye ke pah Bit sillie - ALL (16.67%)	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
31	Township 23 North, Range 10 West, NMPM Section 9 NE4	160.00	BIA NOO-C-14-20-7312 (Allotment #262573) Effective Date 3/24/1976 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of Hosteen cly - ALL (16.67%)	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
32	Township 23 North, Range 10 West, NMPM Section 9 NW4	160.00	BIA NOO-C-14-20-7313 (Allotment #262574) Effective Date 3/18/1976 Expiration Date HBP	100.000000%	DJR Nominee Corporation 100.000000%	Heirs of Billy cly - ALL (16.67%)	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> Dugan Production Corp. 1.666667%	<u>Insofar as the Unitized Interval lying above the base of the Gallup Formation</u> DJR Nominee Corporation 50.000000% Dugan Production Corp. 50.000000%
<b>15 Navajo Allotted</b>		<b>2,403.25</b>	<b>acres or 12.816583% of Unit Area</b>					
<b>Total Unit Acres</b>		<b>8,644.16</b>						
<i>Federal</i>		<b>5,602.99</b>	<b>64.818213%</b>					
<i>State</i>		<b>637.92</b>	<b>7.379780%</b>					
<i>Patented</i>		<b>-</b>	<b>0.000000%</b>					
<i>Navajo Allotted</i>		<b>2,403.25</b>	<b>27.802007%</b>					
<b>Total Unit Acres</b>		<b>8,644.16</b>	<b>100.000000%</b>					

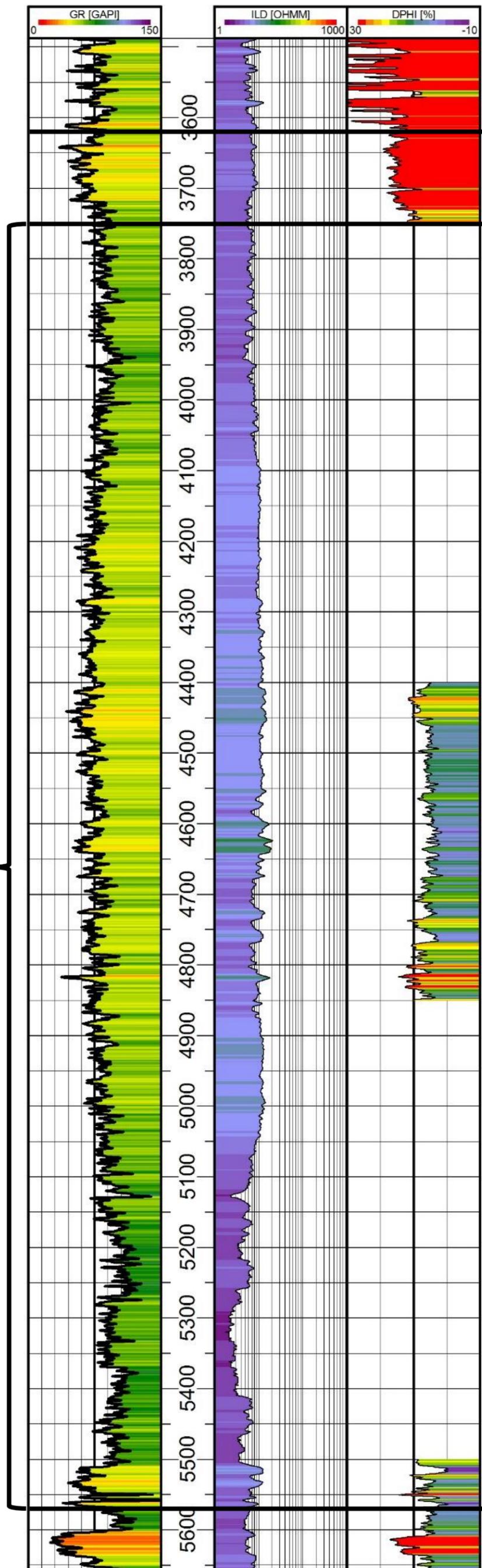
(1) Tract 5 (NMNM 023744) under Assignment of Record Title dated August 11, 1975 from Wesley A. Stanger, Jr. to Mountain Fuel Supply Company, Wesley A. Stanger, Jr. reserved a production payment in the amount of \$500 per acre which is payable out of 3% of 8/8ths of all the oil and gas produced from the lease.

(2) Tract 7 (NMNM 042059) under Assignment of Record Title dated November 2, 1982 from George Volis to Champlin Petroleum Company, Norcen Petroleum, Inc. and Chorney Oil Company, George Volis reserved a production payment in the amount of \$10,000 per acre which is payable out of 5% of 8/8ths of all the oil and gas produced from the lease.

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1/20/1984  
T23N R9W S7  
DUGAN PROD CORP  
DECEMBER DREAM  
1

# Exhibit "C" Attached to Ponderosa Unit Agreement

Ponderosa Unit Depths



Point Lookout

Mancos Shale  
(Base Mesaverde Group)

Graneros Shale (Base Greenhorn)