CASE 7262: UNION OIL COMPANY OF CALIFORNIA FOR APPROVAL OF THE BERRY STATE ua UNIT AREA, LEA COUNTY, NEW MEXICO

Case No.

7262

Application

Transcripts

Small Exhibits

ETC

OCD

Unit Name BERRY STATE UNIT- EXPLORATORY
Operator Union Oil Company of California
County LEA

DATE APPROVED	OCC CASE NO. 7262 OCC ORDER NO. R-6704	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
Commissioner September 10, 1981	Commission: June 25, 1981	September 10, 1981	2,228.32	2,228.32	-0-	-0- -0-	Yes	so long as

UNIT AREA

TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 13: All
Section 14: E/2
Section 24: All

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 18: W/2
Section 19: W/2

TERMINATED
APP: 6/4/82 EFF: 5/27/82
FOR FAILURE TO DRILL THEIR
2ND WELL ON TIME

Unit Name Berry State Unit- EXPLORATORY
Operator Union Oil Company of California
County Lea

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1	B-158-3	C.S.	18	21S	34E	Lots 1, 2, E/2NW/4	8/3/81	156.87		Texaco, Inc.
2	L-6679	C.S.	19	21S	34E	Lots 1, 2, 3, 4, E/2W/2	5/27/81	314.44		Union Oil Company of California
3	LG-1239	C.S.	14	21S	33E	W/2E/2	9/1/81	160.00		Getty Oil Company
4	LG-1241	C.S.	24	21S	33E	S/2N/2, S/2	7/10/81	480.00		Natomas North America, Inc.
5	LG-1374	C.S.	18	21S	34E	Lots 3, 4, E/2SW/4	7/10/81	157.01		Amoco Production Co.
6	LG-3427	C.S.	13	21S	33E	All	5/27/81	640.00		Union Oil Company of California
7	LG-3428	C.S.	24	21S	33E	N/2N/2	5/27/81	160.00		Union Oil Company of California
8	LG-3493	C.S.	14	21S	33E	E/2E/2	8/17/81	160.00		The Superior Oil Co.

TERMINATED
APP: 6/4/82 EFF: 5/27/82
FOR FAILURE TO DRILL THEIR
2ND WELL ON TIME

Union Oil and Gas Division: Central Region

Union Oil Company of California
500 North Marienfeld, Midland, Texas 79701
P.O. Box 671, Midland, Texas 79702
Telephone (915) 682-9731

union 76

Robert V. Lockhart
District Land Manager
Midland District

August 25, 1982

Oil Conservation Division
Energy & Minerals Division
P.O. Box 2088
Santa Fe, New Mexico

1262

Attn: Mr. Joe Ramey,
Director

Gentlemen:

Berry State Unit
Order R-6706
Lea County, New Mexico

Please find enclosed a copy of a letter from the Commissioner of Public Lands officially terminating the Berry State Unit effective 5-27-82. Please note your records accordingly.

Sincerely,

UNION OIL COMPANY OF CALIFORNIA

Linda H. Hicks

Linda H. Hicks
Landman

LHH:dh

Enclosure

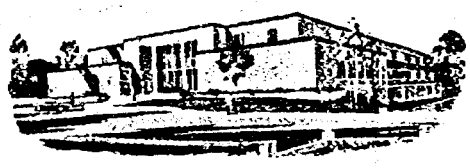
RECEIVED

JUN 7 1982

MIDLAND DISTRICT LAND

Berry Proc (7741)

State of New Mexico



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

June 4, 1982

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501
87504-1148

Union Oil Company of California
P. O. Box 671
Midland, Texas 79701

Re: Berry State Unit
Lea County, New Mexico
Termination

RECEIVED
AUG 30 1982
OIL CON. DIVISION

ATTENTION: Linda H. Hicks

Gentlemen:

The Berry State Unit, Lea County, New Mexico, was approved effective as of September 10, 1981. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that no further drilling has occurred within the boundaries of the Berry State Unit after the Initial test well was plugged and abandoned on November 27, 1981. Inasmuch as you have not begun drilling a second well within the required six month period the Berry State Unit Agreement has this date been terminated effective May 27, 1982.

Please advise all interested parties of this action.

Very truly yours,

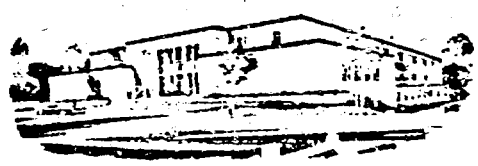
ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: Floyd O. Prando
FLOYD O. PRANDO, Assistant Director
Oil and Gas Division
AC 505/827-2748

AJA/FOP/pm
cc: OCD-Santa Fe, New Mexico
Administration

cc: Charlie Hicks 6-8-82

State of New Mexico



Commissioner of Public Lands

June 4, 1982

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501
87504-1148

Union Oil Company of California
P. O. Box 671
Midland, Texas 79701

Re: Berry State Unit
Lea County, New Mexico
Termination

1262

ATTENTION: Linda H. Hicks

Gentlemen:

The Berry State Unit, Lea County, New Mexico, was approved effective as of September 10, 1981. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing not more than six months time between the completion of one well and the beginning of the next, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that no further drilling has occurred within the boundaries of the Berry State Unit after the Initial test well was plugged and abandoned on November 27, 1981. Inasmuch as you have not begun drilling a second well within the required six month period the Berry State Unit Agreement has this date been terminated effective May 27, 1982.

Please advise all interested parties of this action.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
FLOYD O. PRANDO, Assistant Director
Oil and Gas Division
AC 505/827-2748

AJA/FOP/pm
cc: OCD-Santa Fe, New Mexico
Administration

Union Oil and Gas Division: Central Region

Union Oil Company of California
500 North Marienfeld, Midland, Texas 79701
P.O. Box 671, Midland, Texas 79702
Telephone (915) 682-9731

UNION 76

Robert V. Lockhart
District Land Manager
Midland District

September 15, 1981

Oil Conservation Division
Energy and Minerals Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe Ramey, Director

Gentlemen:

Berry State Unit
Case No. 7262
Order R-6706
Lea County, New Mexico

Please find enclosed an executed copy of the Berry State Unit Agreement which was approved by the Commissioner of Public Lands on September 10, 1981. Also enclosed is a complete set of Ratifications to the Berry State Unit Agreement and Unit Operating Agreement evidencing approval of same by every Working Interest Owner in the Unit Area.

The above are filed in compliance with paragraph (3), page two of the above referenced Order.

Should you have any questions, or require further information, please advise.

Sincerely yours,

UNION OIL COMPANY OF CALIFORNIA

Linda H. Hicks

Linda H. Hicks
Landman

LHH/s
Enclosures

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BERRY STATE UNIT AREA

LEA COUNTY, MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 27th day of May, 1981, 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951 (Chap. 19, Art. 10, Sec. 45, N. M. Statutes 1978 Annot.), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

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

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1, et seq., New Mexico Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the BERRY STATE 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 21 South, Range 33 East, N.M.P.M.
Section 13: All
Section 14: E/2
Section 24: All

Township 21 South, Range 34 East, N.M.P.M.
Section 18: Lots 1, 2, 3, 4, E/2 W/2
Section 19: Lots 1, 2, 3, 4, E/2 W/2

containing 2,228.320 acres, more or less,

Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and 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 said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner", or the Oil Conservation Division, hereinafter referred to as "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: UNION OIL COMPANY OF CALIFORNIA, whose address is P. O. Box 3100, Midland, Texas 79702, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and 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 interests in unitized substances, and the term "working interest owner", when used herein, shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occuring prior to the effective date of its resignation.

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 determined in like manner as provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if

no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new 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 Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such 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 "Operating Agreement". No such 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 unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. 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 said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Morrow formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 14,300 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their

last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record (in the manner prescribed by Sec. 19-10-20 N.M. Statutes 1978 Annotated) of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal (in the manner prescribed by Sec. 19-10-23 N.M. Statutes 1978 Annotated) and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries embracing lands of the State of New Mexico shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further

subject to the terms of this Agreement unless at the expiration of five years after the first day of the month following the effective date of this Agreement diligent drilling operations are in progress on said tracts.

10. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement shall, as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of

this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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 secondary 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 primary 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.

14. 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 laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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 to the grantee, transferee or other successor in interest. No assignment or transfer of any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease,

so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. 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 Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

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

21. 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, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator, whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. 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 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.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

UNION OIL COMPANY OF CALIFORNIA

Date: May 27, 1981

By John Hansen JH
Attorney-in-Fact

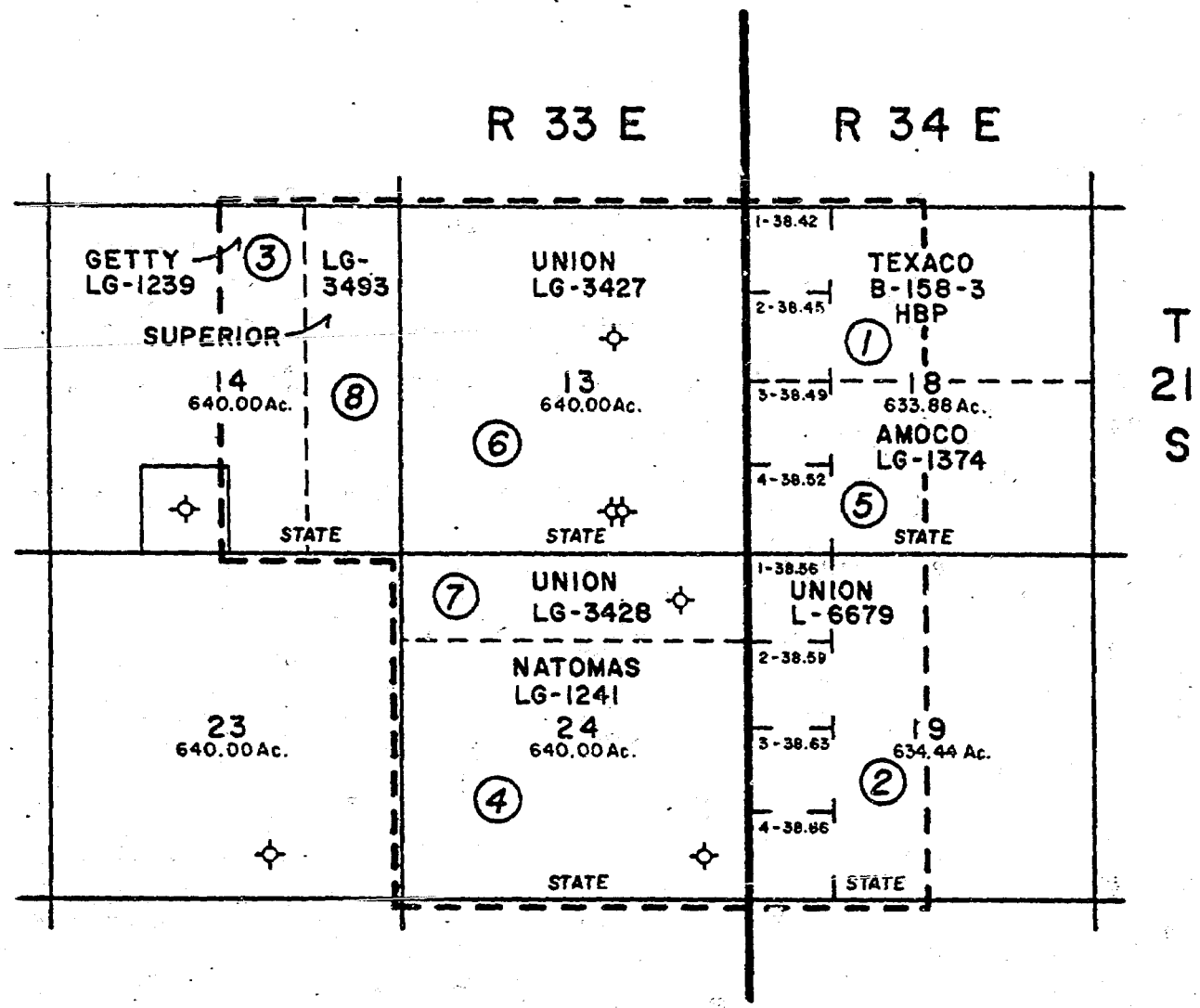
STATE OF TEXAS, X
X
COUNTY OF MIDLAND. X

The foregoing instrument was acknowledged before me this 27th day of May, 1981, by JOHN HANSEN, Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

My Commission Expires:
April 22, 1984

Loretta C. Hyatt LORRETTA C. HYATT
Notary Public



(1) TRACT NUMBER - EXHIBIT "B"

TOTAL UNIT AREA CONSISTS OF STATE LANDS - 2228.32 Ac.

EXHIBIT "A"

BERRY STATE UNIT

LEA COUNTY, NEW MEXICO

0 5000 FEET

0 1 MILE

Exhibit B -- Berry State Unit, Lea County, New Mexico, T-21-S, R-33 & 34-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage
			STATE LANDS			
1	Sec. 18, T-21-S, R-34-E Lots 1,2, E/2NW/4	156.87	B-158-3 H.B.P.	1/8 (12.5%)	Texaco, Inc.	None
2	Sec. 19, T-21-S, R-34-E Lots 1,2,3,4, E/2W/2	314.44	L-6679 10-1-81	1/8 (12.5%)	Union Oil Company of California	None
3	Sec. 14, T-21-S, R-33-E W/2E/2	160.00	LG-1239 7-1-83	1/8 (12.5%)	Getty Oil Company	None
4	Sec. 24, T-21-S, R-33-E S/2N/2, S/2	480.00	LG-1241 7-1-83	1/8 (12.5%)	Natomas North America, Inc.	None
5	Sec. 18, T-21-S, R-34-E Lots 3,4, E/2SW/4	157.01	LG-1374 10-1-83	1/8 (12.5%)	Amoco Production Company	None
6	Sec. 13, T-21-S, R-33-E All	640.00	LG-3427 3-1-86	1/8 (12.5%)	Union Oil Company of California	None
7	Sec. 24, T-21-S, R-33-E N/2N/2	160.00	LG-3428 3-1-86	1/8 (12.5%)	Union Oil Company of California	None
8	Sec. 14, T-21-S, R-33-E E/2E/2	160.00	LG-3493 4-1-86	1/8 (12.5%)	The Superior Oil Company	None

8 STATE TRACTS 2,228.32 ACRES OR 100% OF UNIT AREA.

Exhibit B -- Berry State Unit, Lea County, New Mexico, T-21-S, R-33 & 34-E

	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
			STATE LANDS			
4-E	156.87	B-158-3 H.B.P.	1/8 (12.5%)	Texaco, Inc.	None	Texaco, Inc. 100%
4-E	314.44	L-6679 10-1-81	1/8 (12.5%)	Union Oil Company of California	None	Union Oil Company of California 100%
3-E	160.00	LG-1239 7-1-83	1/8 (12.5%)	Getty Oil Company	None	Getty Oil Company 100%
3-E	480.00	LG-1241 7-1-83	1/8 (12.5%)	Natomas North America, Inc.	None	Natomas North America, Inc. 100%
4-E	157.01	LG-1374 10-1-83	1/8 (12.5%)	Amoco Production Company	None	Amoco Production Company 100%
3-E	640.00	LG-3427 3-1-86	1/8 (12.5%)	Union Oil Company of California	None	Union Oil Company of California 100%
3-E	160.00	LG-3428 3-1-86	1/8 (12.5%)	Union Oil Company of California	None	Union Oil Company of California 100%
3-E	160.00	LG-3493 4-1-86	1/8 (12.5%)	The Superior Oil Company	None	The Superior Oil Company 100%

128.32 ACRES OR 100% OF UNIT AREA.

CONSENT, RATIFICATION AND JOINDER
OF
BERRY STATE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

RECEIVED
SEP 18 1981
OIL CONSERVATION DIVISION
SANTA FE

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BERRY STATE UNIT AREA, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BERRY STATE UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 27th day of May, 1981, by various persons conducting operations with respect to the BERRY STATE UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: August 3, 1981

Address: P. O. Box 3109

Midland, Texas 79703

(Working Interest Owner)

CGK
JHC
ABP

STATE OF TEXAS ,
COUNTY OF MIDLAND .

The foregoing instrument was acknowledged before me this 3rd day of August, 1981, by Alan R. McDaniel, Attorney-in-Fact of TEXACO INC., a Delaware corporation, on behalf of said corporation.

BILLIE L. WINN
Notary Public

My Commission Expires:
Sept. 30, 1984

CONSENT, RATIFICATION AND JOINDER
OF
BERRY STATE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BERRY STATE UNIT AREA, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BERRY STATE UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 27th day of May, 1981, by various persons conducting operations with respect to the BERRY STATE UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: September 1, 1981

Address: _____

_____

GETTY OIL COMPANY

J. A. Morris

J. A. MORRIS, AGENT

(Working Interest Owner)

STATE OF Oklahoma, X
X
COUNTY OF Tulsa. X

The foregoing instrument was acknowledged before me this 1st day of September, 1981, by J. A. MORRIS, AGENT of GETTY OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Hester A. Romine
Notary Public

My Commission Expires:
June 28, 1985

CONSENT, RATIFICATION AND JOINDER
OF
BERRY STATE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BERRY STATE UNIT AREA, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BERRY STATE UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 27th day of May, 1981, by various persons conducting operations with respect to the BERRY STATE UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 7/10/81

Address: 5251 Westheimer, Suite 700

Houston, Texas 77056

NATOMAS NORTH AMERICA, INC.

By: Samuel A. Blaize

Samuel A. Blaize, Vice President - Land
(Working Interest Owner)

STATE OF TEXAS, X
X
COUNTY OF HARRIS. X

The foregoing instrument was acknowledged before me this 10th day of July, 1981, by Samuel A. Blaize, Vice President of NATOMAS NORTH AMERICA, INC., a California corporation, on behalf of said corporation.

Frances E. Barkley
Notary Public

My Commission Expires:
2/23/85

FRANCES E. BARKLEY
Notary Public State of Texas
My Commission Expires February 23, 1985
Bonded by L. Alexander Lowell, Insurance Co.

CONSENT, RATIFICATION AND JOINDER
OF
BERRY STATE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BERRY STATE UNIT AREA, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BERRY STATE UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 27th day of May, 1981, by various persons conducting operations with respect to the BERRY STATE UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: July 10, 1981

Address: P.O. Box 3092

Houston, Texas 77001

Amoco Production Company

William T. Hale
Attorney-in-Fact

(Working Interest Owner)

STATE OF Texas, X
X
COUNTY OF Harris. X

The foregoing instrument was acknowledged before me this 10th day of July, 1981, by WILLIAM T. HALE, Attorney In Fact of Amoco Production Company, a Delaware corporation, on behalf of said corporation.

Shirley B. Barnes
Notary Public

SHIRLEY B. BARNES
Notary Public in Harris County, Texas
My Commission Expires 11-2-81

My Commission Expires:
11-2-81

CONSENT, RATIFICATION AND JOINDER
OF
BERRY STATE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE BERRY STATE UNIT AREA, LEA COUNTY, NEW MEXICO, and UNIT OPERATING AGREEMENT, BERRY STATE UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 27th day of May, 1981, by various persons conducting operations with respect to the BERRY STATE UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: August 17, 1981

Address: P. O. Box 1521

Houston, Texas 77001

THE SUPERIOR OIL COMPANY

By: M. D. Duggan
Vice President
(Working Interest Owner)

ATTEST:

By: Helen Delahoussaye
Assistant Secretary

STATE OF TEXAS, X
X
COUNTY OF Harris. X

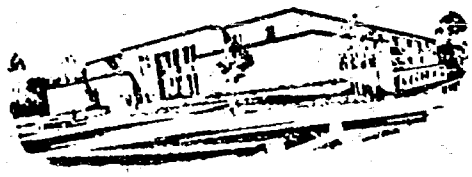
The foregoing instrument was acknowledged before me this 17th day of August, 19 81, by M. D. DUGGAN, of The Superior Oil Company, a Vice President corporation, on behalf of said corporation.

Norma J. Sumner
Notary Public

My Commission Expires:

NORMA J. SUMNER
Notary Public, State of Texas
My Commission Expires 2/24/85

State of New Mexico



Commissioner of Public Lands

September 10, 1981

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

ALEX J. ARMIJO
COMMISSIONER

7262

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Re: Berry State Unit
Lea County, New Mexico

ATTENTION: Mr. Robert V. Lockhart

Gentlemen:

The Commissioner of Public Lands has this date given final approval to the Berry State Unit, Lea County, New Mexico. The effective date being the same date as approved.

Enclosed are Five (5) Certificates of Approval.

The filing fee in the amount of ($50.00) Dollars has been received.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827/2748

AJA/RDG/pm
encls.
cc: OCD-Santa Fe, New Mexico

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

June 29, 1981

Mr. James Jennings
Jennings, Christy & Copple
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

Re: CASE NO. 7262
ORDER NO. R-6706

Applicant:

Union Oil Company of California

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7262
Order R-6706

APPLICATION OF UNION OIL COMPANY
OF CALIFORNIA FOR APPROVAL OF THE
BERRY STATE UNIT AGREEMENT, LEA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 3, 1981, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 25th day of June, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Union Oil Company of California, seeks approval of the Berry State Unit Agreement covering 2,228.32 acres, more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 33 EAST, NMPM
Section 13: All
Section 14: E/2
Section 24: All

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM
Section 18: W/2
Section 19: W/2

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Berry State Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

SEAL

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

CASE 7262

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: James T. Jennings, Esq.
JENNINGS & CHRISTY
Roswell, New Mexico 87501

I N D E X

E X H I B I T S

MR. STAMETS: We'll call next Case 7262.

MR. PADILLA: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I'm Jim Jennings of Jennings and Christy in Roswell, appearing on behalf of the applicant, Union Oil Company of California.

We will have two witnesses, and if you'll bear with me a minute, I'll get your exhibits.

MR. STAMETS: I'd like to have the witnesses stand and be sworn at this time, please.

(Witnesses sworn.)

ROBERT V. LOCKHART

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Would you please state your name, place of residence, and current occupation?

A. My name is Robert V. Lockhart. I live in Midland, Texas. I'm employed by Union Oil Company of

California as the Midland District Land Manager.

Q. Mr. Lockhart, are you familiar with the application that has been filed on behalf of Union in Case Number 7262?

A. Yes, sir. We are seeking approval for our exploratory unit plan, covering 2228.32 acres, located in Township 21 South, Ranges 33 and 34 East. The unit area embraces all of Section 13, the east half of Section 14, all of Section 24, Lots 1 through 4 and the east half of the west half of Section 18, and Lots 1 through 4 in the east half of the west half of Section 19.

Q. Mr. Lockhart, is a plat of that acreage attached to the application?

A. Yes, it is.

Q. What kind of acreage is it?

A. All of the acreage in our unit area is owned or comprised of State of New Mexico lands.

Q. What type of well do you propose to drill on this unit?

A. We're planning to drill a 14,300 foot Morrow formation test, located 1980 feet from the south line, 1980 feet from the east line of Section 13, Township 21 South, Range 34 East,

Q. Who will be the unit operator?

A. Union Oil Company of California will be operator.

Q. Mr. Lockhart, I hand you what has been identified as Exhibit A and ask you if this is the approval of the State -- of the Commissioner of Public Lands of the unit?

A. Yes, this April 9th, 1981, letter from the Commissioner's office was giving preliminary approval to our unit application and approving the unit form that we submitted.

Q. Who are the other operators in the area, Mr. Lockhart?

A. Our unit is composed of Natomas North American, Inc., Getty Oil Company, Superior Oil Company, Amoco Production Company, and Texaco, Inc.

Q. Have all of these parties either joined, agreed to join the unit or to farm any acreage to Union Oil Company?

A. Yes, sir, they have, subject to final approval of our operating agreement and unit agreement.

Q. I hand you what has been marked as Union Exhibit Number Two, and ask you to identify those letters, please.

A. Yes, sir. These are the various letters

that we've received from our non-operators agreeing to our unit plan.

Q. Mr. Lockhart, I hand you what has been marked as Exhibit Three and ask you to identify that, please.

A. This is our unit agreement form dated May 27th, 1981. It contains the standard unit prescribed by the Commissioner's office and we have in, also included in there an Exhibit A, which is our map showing the lands committed to the unit area, and an Exhibit B, which shows the ownership by tract of the various participants, and describes the leases committed.

Q. You will furnish an exectued counterpart of this to the Commission after -- after this unit has been approved --

A. Yes.

Q. -- and executed by all parties?

A. Yes. We will. We will furnish the Commissioner and the ODC with the ratifications of all the parties to our agreement.

Q. I hand you what has been marked Union Exhibit Four and ask you to identify that, please.

A. This is the model operating agreement form that we plan to use to cover our unit area. It will be submitted this week along with the unit agreement to the

partners for approval.

Q. Mr. Lockhart, do you feel that the unit will be in the interest of conservation, and prevent waste?

A. Yes, I do.

Q. There are not any correlative rights in any way -- any parties other than the State of New Mexico involved in this, is there?

A. That is correct.

MR. JENNINGS: Nothing further for the witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Lockhart, would you indicate the percentage of working interest that you have signed up or anticipate will be signed up?

A. We anticipate -- well, all the parties have indicated they will either join or farm out to the drilling parties. We have 100 percent indication that all the parties will do one or the other, either farm out -- two of the parties have elected to farm out, Natomas North American, Inc., and Texaco, Inc., have elected to farm out, and the other parties, Getty, Superior, and Amoco, have indicated they wish to participate and take their share of the

farm ins, from the other two parties.

So we expect 100 percent commitment.

MR. STAMETS: Any other questions of the witness? He may be excused.

MR. LOCKHART: Thank you.

CRAIG WHITE

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Would you please state your name, employment, and current place of residence?

A. Yes. My name is Craig White, currently residing in Midland, Texas, and I'm employed by Union Oil Company of California, as the Midland District Exploration Manager.

Q. Mr. White, what is your educational background?

A. I have a Bachelor of Science degree from the University of Redlands in southern California, which I received in 1967; Master of Science degree received in '69 from the University of Nevada in Reno; Mackay School of Mines.

Q. Since your graduation, just explain briefly by whom you've been employed and the nature and places of your employment?

A. Yes, sir. I've been employed by Union Oil Company of California since graduation. I have been an exploration geologist for Union in southern California; a district exploration geologist for Union Oil Company in Anchorage, Alaska; and more recently District Exploration Manager for Union of California in Midland, Texas.

MR. JENNINGS: Mr. Examiner, are the witness' qualifications acceptable?

MR. STAMETS: Mr. White, I presume your degrees were in geology?

A. Yes, sir, that's correct.

MR. STAMETS: Yes, he is considered qualified.

Q. Mr. White, you have in front of you what has been identified as Union's Exhibit Number Five. Would you please identify this and then explain the structure contours?

A. Yes, sir. This Exhibit Number Five is a structure contour map on top of the Siluro-Devonian. This is a good, continuous seismic horizon. It is used in lieu of a horizon on the top of the Morrow, due to the fact that

the reflections are not good and continuous in this unit. Contour interval is 100 feet. The scale of the map is an inch to 2000 feet.

The proposed unit outline is shown by the red straight lines. One section is shown, as you can see, by the outlines there with the numbers in the center.

Q. Do you have any other further -- additional further comments that you wish to make on the exhibit?

A. I can come back and talk about the structure in general. It's easier to discuss it in terms of the overall.

Q. Okay. Would you refer to what has been marked Union Exhibit Six, which you have before you, which is a stratigraphic cross section?

A. Yes, sir. Exhibit Six is a stratigraphic cross section, showing the Pennsylvanian, Morrow, Atoka objectives. Shown on that cross section are E logs, or electric logs, of the two wells in the unit vicinity. One is the Texaco Brunson (sic) McKnight Berry Well. That is also located on the structure map just north of the pro-proposed unit outline.

The second well is the Getty No. 1 Stock Unit Well. That is on the west end of the stratigraphic cross section and it is located about one mile to the west

of the proposed unit, as you can see on Exhibit Five, the structure contour map.

The Berry prospect is -- or Berry Unit, proposed Berry Unit, is located in Lea County, New Mexico, about 25 miles southwest of the City of Hobbs. The prospect is named for the nearby Berry Ranch, the abandoned gas field. The reservoir objectives, as you can see on the stratigraphic section, include Morrow and possibly Atoka gas sands. These sands are present as continuous, discreet bodies, or lenses, across the prospect area. The sands are considered to be productive generally where they are porous and at a structurally high location.

I'll talk briefly about the nearby wells in terms of the reservoir objective or objective sections here.

The Brunson and McKnight No. 1 Berry Well, which is located northeast of the proposed location, produced some 304-million cubic feet of gas and nearly 12,000 barrels of condensate before watering out.

The Atoka sand, which can be seen on the Exhibit Six, in the Texaco Brunson and McKnight Well, was not tested.

The Getty No. 1 Stock Unit Well produced gas and water from a Middle Morrow Sand. This well should --

or this unit should produce gas at a structurally higher location. Again there was no test in the Atoka.

Discussing briefly the structure in the proposed unit outline, again you can refer to Exhibit Number Five. This is a northeast/southwest trending doubly plunging anticline. It appears to have, based on the map, over 300 feet of closure. The proposed location, which is indicated by the red dot on Exhibit Five, is located at the apex of the structure. We feel that, based on the map, this is going to be about 250 feet high to the Brunson McKnight Well and about 450 feet high to the Getty Stock tank Well. Excuse me, Getty Stock Unit Well.

We have placed the postulated accumulation limits at the 11,000 -- minus 11,600 foot contour on the Siluro-Devonian map. We feel that this is a reasonable location at which to place postulated accumulations or gas/water interface, if you will, due to the fact that the Brunson and McKnight Berry Well did test gas before watering out and being plugged and abandoned in '76.

Consequently, we feel that it's reasonable to place that gas/water interface just up structure from the Brunson and McKnight Well.

The only additional thing I would point out is that the proposed unit does include all of the drillable

proration units above the accumulation limits.

Q. Mr. White, do you feel that the approval of the proposed unit will prevent waste and be in the interest of conservation?

A. Yes, sir, I do.

Q. Do you have anything else that you wish to note?

A. No, sir.

Q. Were Exhibits Five and Six prepared by you or under your direction?

A. They were prepared under my supervision.

MR. JENNINGS: We don't have anything more of this witness.

At this time, though, we would -- like to offer Exhibits Five and Six, and also offer Exhibits One through Four, inclusive, which were documents received in the ordinary course of business.

MR. STAMETS: These exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. White, even though Exhibit Five is labeled a Siluro-Devonian map, the horizon that you intend

to drill and test is the Pennsylvanian, in that correct?

A. That's correct, sir.

Q. Okay.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7263 heard by me on 6-13 1981.

Richard L. Stamets, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. CASE 7262

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: James T. Jennings, Esq.
JENNINGS & CHRISTY
Roswell, New Mexico 87501

I N D E X

E X H I B I T S

MR. STAMETS: We'll call next Case 7262.

MR. PADILLA: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico.

MR. JENNINGS: I'm Jim Jennings of Jennings and Christy in Roswell, appearing on behalf of the applicant, Union Oil Company of California.

We will have two witnesses, and if you'll bear with me a minute, I'll get your exhibits.

MR. STAMETS: I'd like to have the witnesses stand and be sworn at this time, please.

(Witnesses sworn.)

ROBERT V. LOCKHART

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Would you please state your name, place of residence, and current occupation?

A. My name is Robert V. Lockhart. I live in Midland, Texas. I'm employed by Union Oil Company of

California as the Midland District Land Manager.

Q. Mr. Lockhart, are you familiar with the application that has been filed on behalf of Union in Case Numbber 7262?

A. Yes, sir. We are seeking approval for our exploratory unit plan, covering 2228.32 acres, located in Township 21 South, Ranges 33 and 34 East. The unit area embraces all of Section 13, the east half of Section 14, all of Section 24, Lots 1 through 4 and the east half of the west half of Section 18, and Lots 1 through 4 in the east half of the west half of Section 19.

Q. Mr. Lockhart, is a plat of that acreage attached to the application?

A. Yes, it is.

Q. What kind of acreage is it?

A. All of the acreage in our unit area is owned or comprised of State of New Mexico lands.

Q. What type of well do you propose to drill on this unit?

A. We're planning to drill a 14,300 foot Morrow formation test, located 1980 feet from the south line, 1980 feet from the east line of Section 13, Township 21 South Range 34 East.

Q. Who will be the unit operator?

A. Union Oil Company of California will be operator.

Q. Mr. Lockhart, I hand you what has been identified as Exhibit A and ask you if this is the approval of the State -- of the Commissioner of Public Lands of the unit?

A. Yes, this April 9th, 1981, letter from the Commissioner's office was giving preliminary approval to our unit application and approving the unit form that we submitted.

Q. Who are the other operators in the area, Mr. Lockhart?

A. Our unit is composed of Natomas North American, Inc., Getty Oil Company, Superior Oil Company, Amoco Production Company, and Texaco, Inc.

Q. Have all of these parties either joined, agreed to join the unit or to farm any acreage to Union Oil Company?

A. Yes, sir, they have, subject to final approval of our operating agreement and unit agreement.

Q. I hand you what has been marked as Union Exhibit Number Two, and ask you to identify those letters, please.

A. Yes, sir. These are the various letters

that we've received from our non-operators agreeing to our unit plan.

Q. Mr. Lockhart, I hand you what has been marked as Exhibit Three and ask you to identify that, please.

A. This is our unit agreement form dated May 27th, 1981. It contains the standard unit prescribed by the Commissioner's office and we have in, also included in there an Exhibit A, which is our map showing the lands committed to the unit area, and an Exhibit B, which shows the ownership by tract of the various participants, and describes the leases committed.

Q. You will furnish an exectued counterpart of this to the Commission after -- after this unit has been approved --

A. Yes.

Q. -- and executed by all parties?

A. Yes. We will. We will furnish the Commissioner and the ODC with the ratifications of all the parties to our agreement.

Q. I hand you what has been marked Union Exhibit Four and ask you to identify that, please.

A. This is the model operating agreement form that we plan to use to cover our unit area. It will be submitted this week along with the unit agreement to the

partners for approval.

Q. Mr. Lockhart, do you feel that the unit will be in the interest of conservation, and prevent waste?

A. Yes, I do.

Q. There are not any correlative rights in any way -- any parties other than the State of New Mexico involved in this, is there?

A. That is correct.

MR. JENNINGS: Nothing further for the witness.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Lockhart, would you indicate the percentage of working interest that you have signed up or anticipate will be signed up?

A. We anticipate -- well, all the parties have indicated they will either join or farm out to the drilling parties. We have 100 percent indication that all the parties will do one or the other, either farm out -- two of the parties have elected to farm out, Natomas North American, Inc., and Texaco, Inc., have elected to farm out, and the other parties, Getty, Superior, and Amoco, have indicated they wish to participate and take their share of the

farm ins, from the other two parties.

So we expect 100 percent commitment.

MR. STAMETS: Any other questions of the witness? He may be excused.

MR. LOCKHART: Thank you.

CRAIG WHITE

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q. Would you please state your name, employment, and current place of residence?

A. Yes. My name is Craig White, currently residing in Midland, Texas, and I'm employed by Union Oil Company of California, as the Midland District Exploration Manager.

Q. Mr. White, what is your educational background?

A. I have a Bachelor of Science degree from the University of Redlands in southern California, which I received in 1967; Master of Science degree received in '69 from the University of Nevada in Reno; Mackay School of Mines.

Q. Since your graduation, just explain briefly by whom you've been employed and the nature and places of your employment?

A. Yes, sir. I've been employed by Union Oil Company of California since graduation. I have been an exploration geologist for Union in southern California; a district exploration geologist for Union Oil Company in Anchorage, Alaska; and more recently District Exploration Manager for Union of California in Midland, Texas.

MR. JENNINGS: Mr. Examiner, are the witness' qualifications acceptable?

MR. STAMETS: Mr. White, I presume your degrees were in geology?

A. Yes, sir, that's correct.

MR. STAMETS: Yes, he is considered qualified.

Q. Mr. White, you have in front of you what has been identified as Union's Exhibit Number Five. Would you please identify this and then explain the structure contours?

A. Yes, sir. This Exhibit Number Five is a structure contour map on top of the Siluro-Devonian. This is a good, continuous seismic horizon. It is used in lieu of a horizon on the top of the Morrow, due to the fact that

the reflections are not good and continuous in this unit. Contour interval is 100 feet. The scale of the map is an inch to 2000 feet.

The proposed unit outline is shown by the red straight lines. One section is shown, as you can see, by the outlines there with the numbers in the center.

Q. Do you have any other further -- additional further comments that you wish to make on the exhibit?

A. I can come back and talk about the structure in general. It's easier to discuss it in terms of the overall.

Q. Okay. Would you refer to what has been marked Union Exhibit Six, which you have before you, which is a stratigraphic cross section?

A. Yes, sir. Exhibit Six is a stratigraphic cross section, showing the Pennsylvanian, Morrow, Atoka objectives. Shown on that cross section are E logs, or electric logs, of the two wells in the unit vicinity. One is the Texaco Brunson (sic) McKnight Berry Well. That is also located on the structure map just north of the pro- proposed unit outline.

The second well is the Getty No. 1 Stock Unit Well. That is on the west end of the stratigraphic cross section and it is located about one mile to the west

of the proposed unit, as you can see on Exhibit Five, the structure contour map.

The Berry prospect is -- or Berry Unit, proposed Berry Unit, is located in Lea County, New Mexico, about 25 miles southwest of the City of Hobbs. The prospect is named for the nearby Berry Ranch, the abandoned gas field. The reservoir objectives, as you can see on the stratigraphic section, include Morrow and possibly Atoka gas sands. These sands are present as continuous, discreet bodies, or lenses, across the prospect area. The sands are considered to be productive generally where they are porous and at a structurally high location.

I'll talk briefly about the nearby wells in terms of the reservoir objective or objective sections here.

The Brunson and McKnight No. 1 Berry Well, which is located northeast of the proposed location, produced some 304-million cubic feet of gas and nearly 12,000 barrels of condensate before watering out.

The Atoka sand, which can be seen on the Exhibit Six, in the Texaco Brunson and McKnight Well, was not tested.

The Getty No. 1 Stock Unit Well produced gas and water from a Middle Morrow Sand. This well should -

or this unit should produce gas at a structurally higher location. Again there was no test in the Atoka.

Discussing briefly the structure in the proposed unit outline, again you can refer to Exhibit Number Five. This is a northeast/southwest trending doubly plunging anticline. It appears to have, based on the map, over 300 feet of closure. The proposed location, which is indicated by the red dot on Exhibit Five, is located at the apex of the structure. We feel that, based on the map, this is going to be about 250 feet high to the Brunson McKnight Well and about 450 feet high to the Getty Stock tank Well. Excuse me, Getty Stock Unit Well.

We have placed the postulated accumulation limits at the 11,000 -- minus 11,600 foot contour on the Siluro-Devonian map. We feel that this is a reasonable location at which to place postulated accumulations or gas/water interface, if you will, due to the fact that the Brunson and McKnight Berry Well did test gas before watering out and being plugged and abandoned in '76.

Consequently, we feel that it's reasonable to place that gas/water interface just up structure from the Brunson and McKnight Well.

The only additional thing I would point out is that the proposed unit does include all of the drillable

proration units above the accumulation limits.

Q. Mr. White, do you feel that the approval of the proposed unit will prevent waste and be in the interest of conservation?

A. Yes, sir, I do.

Q. Do you have anything else that you wish to note?

A. No, sir.

Q. Were Exhibits Five and Six prepared by you or under your direction?

A. They were prepared under my supervision.

MR. JENNINGS: We don't have anything more of this witness.

At this time, though, we would -- like to offer Exhibits Five and Six, and also offer Exhibits One through Four, inclusive, which were documents received in the ordinary course of business.

MR. STAMETS: These exhibits will be admitted.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. White, even though Exhibit Five is labeled a Siluro-Devonian map, the horizon that you intend

to drill and test is the Pennsylvanian, in that correct?

A. That's correct, sir.

Q. Okay.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

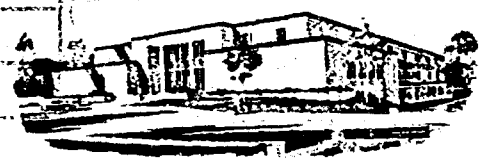
I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 7262
Submitted by Sharon
Hearing Date

State of New Mexico



Commissioner of Public Lands

RECEIVED
APR 13 1981
MIDLAND DISTRICT LAND

ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

April 9, 1981

Berry Prospect (7741)

Union Oil Company of California
500 North Marienfeld
P. O. Box 671
Midland, Texas 79702

Re: Proposed Berry State Unit
Lea County, New Mexico

ATTENTION: Linda H. Hicks

Gentlemen:

We have received your letter of April 7, 1981, together with your proposed Berry State Unit, Lea County, New Mexico, including all modifications we asked for in our letter of March 30, 1981. This form meets the requirements of the Commissioner of Public Lands, therefore, we have given you approval as to form and content.

When submitting your agreement for final approval the following are required by this office.

1. Application for final approval stating all tracts committed and tracts not committed.

2. Two executed copies of the Unit Agreement.

3. Two sets of all ratifications from Lessees of Record and Working Interest Owners.

4. One executed copy of the Operating Agreement.

5. Order of the New Mexico Oil Conservation Division.

6. Two copies of Exhibits "A" and "B".

The filing fee in the amount of Fifty ($50.00) Dollars was received with your letter of March 24, 1981.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Division

Copy: John Hanner

AJA/RDG/s

PRODUCING DEPARTMENT

TEXACO
PETROLEUM PRODUCTS

RECEIVED
JUN 1 1981
OIL CONSERVATION DIVISION

TEXACO
U.S.A.
A DIVISION OF TEXACO INC.
P. O. BOX 3109
MIDLAND, TEXAS 79702

June 1, 1981

41485 - State of New Mexico
Lea County, New Mexico

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 2
CASE NO. 7262
Submitted by Elmon
Hearing Date

Mr. Robert Lockhart
Union of California
500 N. Marienfeld
Midland, Texas 79702

Dear Sir:

The following outlines the general terms of our sublease agreement to you covering the NW/4 Section 13, T-21-S, R-33-E, Lea County, New Mexico.

1. Within 180 days from the date of the agreement, Union Oil Company of California will commence a well to be located 1,980' FSL and 1,980' FEL Section 13, T-21-S, R-34-E, Lea County, New Mexico.

2. The above well will be drilled to approximately 14,300' to test the Morrow formation.

3. Texaco Inc. will retain a 1/16 ORR convertible to a 50% working interest after payout (reduced proportionately to our interest) and will retain a call on production.

Our final approval of the sublease will be subject to our review and acceptance of your Operating Agreement.

Yours very truly,

E. H. Watkins
Land Manager

By Larry D. Crowder

LDC-BH

NATOMAS
NORTH
AMERICA
INC.

RECEIVED
JUN 1 1981
MIDLAND DISTRICT LAND

June 1, 1981

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Attention: Mr. Robert V. Lockhart

Re: Berry State Unit
Lea County, New Mexico
State of NM LG-1241
NNA Lease No. 12716
S/2 N/2; S/2 Section 24-21S-33E,
Lea County, New Mexico

Gentlemen:

This is to advise that Natomas North America, Inc. elects to farmout to the proposed unit operating rights under its leasehold in captioned tract in accordance with general terms set forth in your letter of January 12, 1981, subject, however, to approval of the Unit Agreement and Unit Operating Agreement; and further provided that should any farmout to the unit afford Farmor more advantageous terms than those above referred to, Natomas shall also enjoy those same terms.

Very truly yours,

Julian C. Stroud
Division Landman

JCS:wmt

1010 Gibraltar Savings Center 200 N. Loraine St. Midland, Texas 79701 915•684-8272

Amoco Production Company (USA)
500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

RECEIVED
MAY 8 1981
MIDLAND DISTRICT LAND

~~Houston~~ Prospect (~~3750~~)
Berry 7741

May 5, 1981

Re: EA 51744
Berry State Area
Lea County, New Mexico

Union Oil Company of California
P. O. Box 671
Midland, TX 79702

Attention: Ms. Linda H. Hicks

Dear Ms. Hicks:

Pursuant to our recent telephone conversations, please be advised that Amoco will participate in the drilling of your Union State "FG" No. 1. Amoco will also participate in its share of farmouts available.

Enclosed is our Geological Requirements Letter for your further handling.

Yours very truly,

Chris L. Raper
Land Department

CLR/jms
343/P

Enclosures

Copy: Craig

Getty

Getty Oil Company P.O. Box 1231, Midland, Texas 79702 · Telephone (915) 683-6301

Central Exploration and Production Division

March 6, 1981

RECEIVED
MAR 9 1981
MIDLAND DISTRICT LAND

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Attention: Ms. Linda Hicks

Re: Proposed Berry State Unit
Lea County, New Mexico

Gentlemen:

Getty Oil Company, at a District level will recommend joining the prosposed unit. This recommendation is subject to our Division Management approval.

Please furnish this office with an appropriate AFE and Operating Agreement for our further evaluation.

Yours very truly,

GETTY OIL COMPANY

Scott D. Tatum

Scott D. Tatum

SDT/sds

Berry Unit (7741)

SUPERIOR OIL

March 31, 1981

RECEIVED
APR 1 1981
MIDLAND DISTRICT LAND

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

ATTENTION: Ms. Linda Hicks

Re: #1 State "13-J"
Proposed Berry State Unit
2228.32 acres out of
T-21-S, R-33 & 34-E
Berry Prospect #995
Lea County, New Mexico

Gentlemen:

As discussed on the telephone this date, Superior's management has approved our joinder in the captioned State Unit, subject, of course, to mutually acceptable agreements.

Please forward the contracts to us along with the AFE when available.

Should you have any questions or desire any additional information regarding this matter, please do not hesitate to contact me.

Very truly yours,

THE SUPERIOR OIL COMPANY

C. R. Prince

C. R. Prince

CRP:cj

The Superior Oil Company

Midland Exploration Division
P.O. Box 1900, Midland, TX 79702, (915) 683-5251

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 3
CASE NO. 7262
Submitted by Union
Hearing Date

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BERRY STATE UNIT AREA

LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 27th day of May, 1981, 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951 (Chap. 19, Art. 10, Sec. 45, N. M. Statutes 1978 Annot.), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

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

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1, et seq., New Mexico Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the BERRY STATE 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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 21 South, Range 33 East, N.M.P.M.
Section 13: All
Section 14: E/2
Section 24: All

Township 21 South, Range 34 East, N.M.P.M.
Section 18: Lots 1, 2, 3, 4, E/2 W/2
Section 19: Lots 1, 2, 3, 4, E/2 W/2

containing 2,228.320 acres, more or less,

Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and 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 said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner", or the Oil Conservation Division, hereinafter referred to as "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: UNION OIL COMPANY OF CALIFORNIA, whose address is P. O. Box 3100, Midland, Texas 79702, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and 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 interests in unitized substances, and the term "working interest owner", when used herein, shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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 determined in like manner as provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if

no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new 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 Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such 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 "Operating Agreement". No such 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 unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. 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 said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Morrow formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 14,300 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their

last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record (in the manner prescribed by Sec. 19-10-20 N.M. Statutes 1978 Annotated) of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal (in the manner prescribed by Sec. 19-10-23 N.M. Statutes 1978 Annotated) and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries embracing lands of the State of New Mexico shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further

subject to the terms of this Agreement unless at the expiration of five years after the first day of the month following the effective date of this Agreement diligent drilling operations are in progress on said tracts.

10. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES:

All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement shall, as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of

this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

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 secondary 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 primary 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.

14. 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 laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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 to the grantee, transferee or other successor in interest. No assignment or transfer of any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease,

so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Commission, and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. 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 Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceeding.

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

21. 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, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, act of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator, whether similar to matters herein enumerated or not.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. 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 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.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

UNION OIL COMPANY OF CALIFORNIA

Date: May 27, 1981

By John Hansen CJH
Attorney-in-Fact

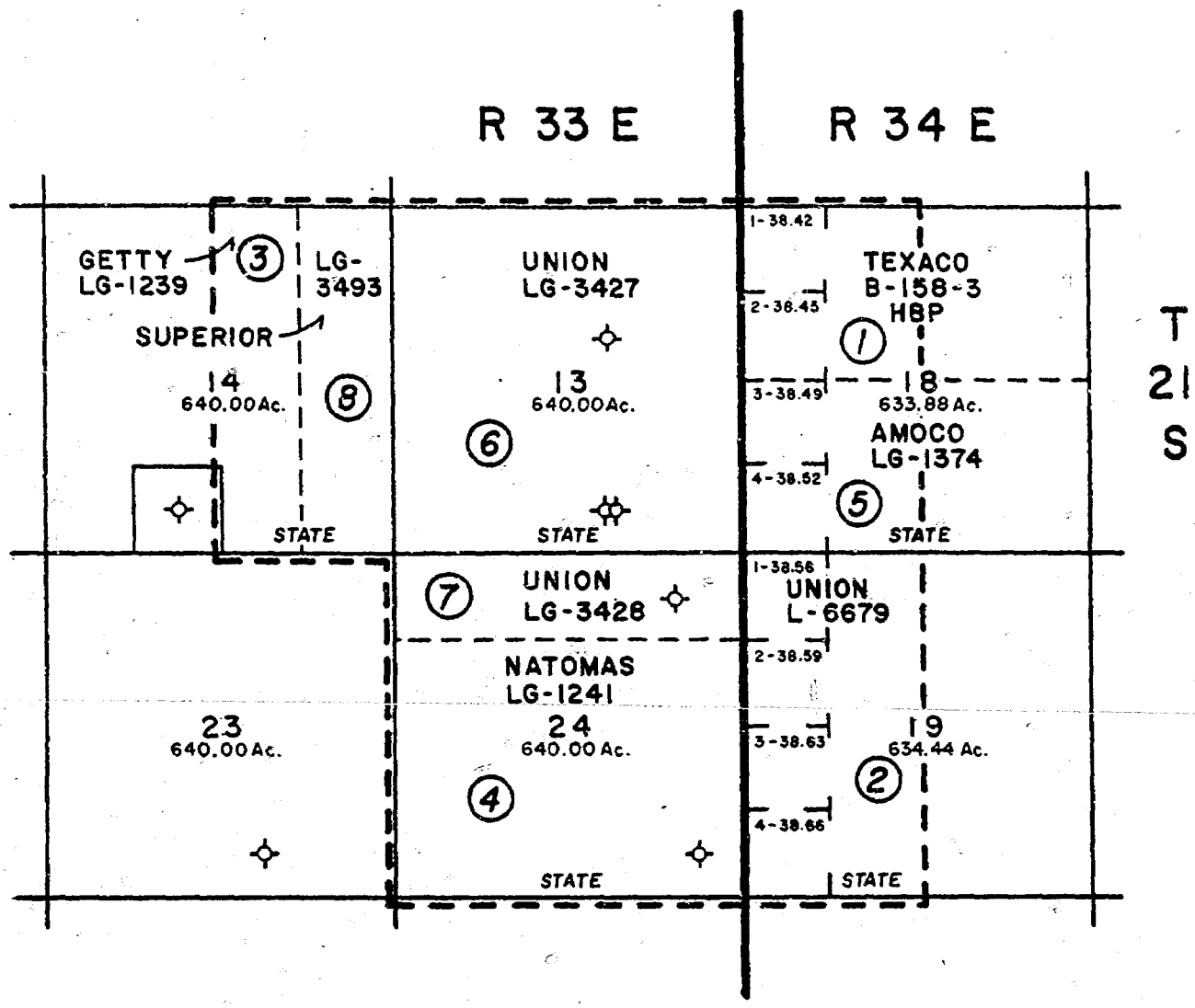
STATE OF TEXAS, X
X
COUNTY OF MIDLAND. X

The foregoing instrument was acknowledged before me this 27th day of May, 1981, by JOHN HANSEN, Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

Loretta C. Hyatt
Notary Public in the State of Texas
LORRETTA C. HYATT

My Commission Expires:
April 22, 1984



(1) TRACT NUMBER - EXHIBIT "B"

TOTAL UNIT AREA CONSISTS OF STATE LANDS - 2228.32 Ac.

EXHIBIT "A"

BERRY STATE UNIT

LEA COUNTY, NEW MEXICO

Exhibit B -- Berry State Unit, Lea County, New Mexico, T-21-S, R-33 & 34-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	
			STATE LANDS				
1	Sec. 18, T-21-S, R-34-E Lots 1,2, E/2NW/4	156.87	B-158-3 H.B.P.	1/8 (12.5%)	Texaco, Inc.	None	T 1
2	Sec. 19, T-21-S, R-34-E Lots 1,2,3,4, E/2W/2	314.44	L-6679 10-1-81	1/8 (12.5%)	Union Oil Company of California	None	U o
3	Sec. 14, T-21-S, R-33-E W/2E/2	160.00	LG-1239 7-1-83	1/8 (12.5%)	Getty Oil Company	None	G 1
4	Sec. 24, T-21-S, R-33-E S/2N/2, S/2	480.00	LG-1241 7-1-83	1/8 (12.5%)	Natomas North America, Inc.	None	N A
5	Sec. 18, T-21-S, R-34-E Lots 3,4, E/2SW/4	157.01	LG-1374 10-1-83	1/8 (12.5%)	Amoco Production Company	None	A C
6	Sec. 13, T-21-S, R-33-E All	640.00	LG-3427 3-1-86	1/8 (12.5%)	Union Oil Company of California	None	U o
7	Sec. 24, T-21-S, R-33-E N/2N/2	160.00	LG-3428 3-1-86	1/8 (12.5%)	Union Oil Company of California	None	U o
8	Sec. 14, T-21-S, R-33-E E/2E/2	160.00	LG-3493 4-1-86	1/8 (12.5%)	The Superior Oil Company	None	T C

8 STATE TRACTS 2,228.32 ACRES OR 100% OF UNIT AREA.

Exhibit B -- Berry State Unit, Lea County, New Mexico, T-21-S, R-33 & 34-E

umber of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
		STATE LANDS			
156.87	B-158-3 H.B.P.	1/8 (12.5%)	Texaco, Inc.	None	Texaco, Inc. 100%
314.44	L-6679 10-1-81	1/8 (12.5%)	Union Oil Company of California	None	Union Oil Company of California 100%
160.00	LG-1239 7-1-83	1/8 (12.5%)	Getty Oil Company	None	Getty Oil Company 100%
480.00	LG-1241 7-1-83	1/8 (12.5%)	Natomas North America, Inc.	None	Natomas North America, Inc. 100%
157.01	LG-1374 10-1-83	1/8 (12.5%)	Amoco Production Company	None	Amoco Production Company 100%
640.00	LG-3427 3-1-86	1/8 (12.5%)	Union Oil Company of California	None	Union Oil Company of California 100%
160.00	LG-3428 3-1-86	1/8 (12.5%)	Union Oil Company of California	None	Union Oil Company of California 100%
160.00	LG-3493 4-1-86	1/8 (12.5%)	The Superior Oil Company	None	The Superior Oil Company 100%

CRES OR 100% OF UNIT AREA.

Berry Prospect
CVH/mj - 4/29/81

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 4
CASE NO. 7262
Submitted by Elavon
Hearing Date

A.A.P.L. FORM 610

MODEL FORM OPERATING AGREEMENT - 1956

Non-Federal Lands

OPERATING AGREEMENT

DATED

May 27, 1981,

FOR UNIT AREA IN TOWNSHIP 21 South, RANGES 33 & 34 East, N.M.P.M.,

Lea COUNTY, STATE OF New Mexico.

BERRY STATE UNIT

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

TABLE OF CONTENTS

A.A.P.L. FORM 610

OPERATING AGREEMENT

THIS AGREEMENT, entered into this 27th day of May, 1981, between UNION OIL COMPANY OF CALIFORNIA, hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

(1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.

(2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.

(4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.

(5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

(6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.

(7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.

(8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

2. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS

A. Title Examination:

By execution hereof, the parties hereto accept the title to the drillsite lease on which the well provided for in Section 7 is to be drilled.

No well other than the first test shall be drilled in the Unit Area until after:

(1) The title to the drillsite lease has been examined by Operator's attorney, and

(2) The title has been approved by the examining attorney or the title has been accepted by all the parties who are to participate in the drilling of the well.

Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

~~to which title is approved or accepted, or until the parties fail to select another drillsite. As in the case of the~~ drillsite first selected, so also with successive choices if the time comes that the parties have not approved title and are unable to agree upon an alternate drillsite, the contract shall, in that case and at that time, come to an end and all parties shall forfeit their rights and be relieved of obligations under this contract.

No well other than the first test shall be drilled in the Unit Area until after (1) the title to the lease covering the lands upon which such well is to be located has been examined by Operator's attorney, and (2) the title has been approved by the examining attorney and the title has been accepted by all of the parties ~~who are to participate in the drilling of the well~~.

B. Failure of Title:

Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall, nevertheless, continue in force as to all remaining leases and interests, and

(1) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

(2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Unit Area by the amount of the interest lost; and

(3) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the Unit Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(4) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and

(5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production.

C. Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the Unit Area.

3. ~~UNLEASED OIL AND GAS INTERESTS~~

~~If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the~~ purpose of this agreement as if it were a leased interest under the form of oil and gas ~~lease~~ attached as "Exhibit "B" and for the primary term therein stated. As to such ~~interests,~~ the owner shall receive royalty on production as prescribed in the form of oil and gas ~~lease~~ attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee ~~interest~~.

4. INTERESTS OF PARTIES

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual ~~one-eighth~~ one-eighth (⅛) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

5. OPERATOR OF UNIT

UNION OIL COMPANY OF CALIFORNIA shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

6. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

7. TEST WELL

On or before the 30th day of September, 1981, Operator shall commence the drilling of a well for oil and gas in the following location:

1980' FSL & 1980' FEL Section 13, Township 21 South,
Range 33 East, Lea County, New Mexico,

and shall thereafter continue the drilling of the well with due diligence to a depth of 14,300 feet, or to a depth sufficient to test the Morrow formation,

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

8. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "C". If any provision of Exhibit "C" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ~~six percent (6%)~~ twelve percent (12%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

9. OPERATOR'S LIEN

Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

10. TERM OF AGREEMENT

This agreement shall become effective on the date and at the time that the Berry State Unit Agreement becomes effective, and shall remain in effect for so long thereafter as the Unit Agreement is in effect. In the event of termination of the Unit Agreement for any reason as to all or any part of the land now or hereafter included in the Unit Area, this agreement shall continue in full force and effect with respect to any land as to which the Unit Agreement terminates which is included in any drilling unit or proration unit for any unabandoned well which has been drilled or commenced pursuant to this agreement, and as long thereafter as oil and gas, or either of them, is produced from the Unit Area, or any part thereof, or as long as producing, drilling or reworking operations are conducted thereon with no cessation of more than sixty (60) consecutive days, or as long as any lease committed to the Unit remains in effect by the payment of shut-in gas royalties on a gas well situated upon the Unit Area or any portion thereof.

11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty Thousand & No/100---------- Dollars ($20,000.00---) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of $ 20,000.00--.

12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday or legal holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(A) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(B) 300% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 25, and 300% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 12, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 7, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production, and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price prevailing in the area, which shall in no event be less than the price which Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Operator shall not make a sale ~~into interstate commerce~~ of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale, or any other party Any purchase or sale by Operator, or any other party, of any other party's share of gas shall be for such reasonable periods of time only as are consistent with the minimum needs of the industry and shall in no event exceed one (1) year. See Exhibit "E" as to Gas Balancing Agreement regarding taking of gas.

14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(1) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(2) proceeds, less operating expenses thereafter incurred attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which would, in the absence of such lease termination, be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so.

18. ~~PREFERENTIAL RIGHT TO PURCHASE~~

~~Should any party desire to sell all or any part of its interests under this contract, or its rights and in-~~terests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a ma~~jority of the stock~~

19. SELECTION OF NEW OPERATOR

Should a sale be made by Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins to function, but the present Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

20. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

(1) the entire interest of the party in all leases and equipment and production; or

(2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

21. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

22. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

23. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease covering acreage subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease, insofar as it covers acreage subject to this contract, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

24. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

25. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

26. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

27. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "D" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

28. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand ($1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

29. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

30. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

31. OTHER CONDITIONS, IF ANY, ARE:

A. If operations by less than all the parties are conducted subject to the provisions of Section 12 hereof, so that the Consenting Parties shall be entitled for a time to receive a Non-Consenting Party's share of production from a well, the Consenting Parties shall so receive the Non-Consenting Party's said share of said production subject to such contracts for the sale of such production as then are in force and effect.

B. Notwithstanding anything herein to the contrary, if any working interest owner shall, subsequent to the execution of this agreement, create an overriding royalty, production payment, net proceeds interest, carried interest or any other interest out of its working interest (hereinafter called "subsequently created interest"), such subsequently created interest shall be specifically made subject to all the terms and provisions of this agreement. If the working interest owner from which such subsequently created interest is created (a) fails to pay when due its share of costs and expenses chargeable hereunder, and its share of production accruing hereunder is insufficient to cover such costs and expenses, or (b) elects to go non-consent under Section 12, or (c) elects to abandon a well under Section 16 hereof, elects to surrender a lease under Section 24 hereof, or otherwise withdraws from this agreement, the subsequently created interest shall be chargeable with a pro rata portion of all costs and expenses hereunder and shall be subject to recoupment of costs and penalty as provided in Section 12 in the same manner as if such subsequently created interest were a working interest. Operator shall have the right to enforce against such subsequently created interest the lien and all other rights granted in Section 9 hereof for the purpose of collecting costs and expenses chargeable to the subsequently created interest.

C. Provisions hereof to the contrary notwithstanding, consent to the drilling of any well drilled under and pursuant to the terms hereof shall not be deemed consent to participate in an attempt to complete the well as a producer of oil or gas, but shall be considered only to drill to the production string casing point. After each well drilled pursuant to the terms hereof has reached the production string casing point and Operator (or any party participating in the cost of drilling such well) considers that an attempt should be made to complete same as a producer of oil or gas, Operator (or such other party participating in the cost of drilling such well) shall give immediate notice thereof to all other parties participating in the cost of drilling such well. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect whether or not they desire to participate in the setting of casing and attempting to complete such well as a producer of oil or gas. Failure of any party receiving such notice to so reply within the period above fixed shall constitute an election by that party not to participate in the completion attempt. If one or more but less than all of the parties elect to attempt a completion of the well as a producer of oil or gas, the provisions of Section 12 hereof shall apply to the operations thereafter conducted by less than all parties hereto the same as for other nonconsent operations as provided in Section 12.

If no completion attempt is made in any well, the same shall be plugged and abandoned at the expense of the parties participating in the drilling of the same. As used herein "production string casing point" shall be that point in time when the total depth to be drilled has been reached, all logs to be run have been run, and the next step toward completion is the running of the production string of casing or plugging back to perforate existing casing.

D. Each party hereto owning an undivided interest in the Unit Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

E. It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Unit Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Unit, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

F. Operator shall comply, where applicable, to the provisions of Exhibit "F" attached hereto.

G. A party may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions above. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

A.A.P.L. FORM 610

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

UNION OIL COMPANY OF CALIFORNIA

ATTEST:

By John Hansen
Attorney-in-Fact

OPERATOR

ATTEST:

ATTEST:

STATE OF TEXAS, X
X
COUNTY OF MIDLAND. X

The foregoing instrument was acknowledged before me this 27th day of May, 1981, by JOHN HANSEN, Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

LORRETTA C. HYATT

Lorretta C. Hyatt
Notary Public for the State of Texas

My Commission Expires:
April 22, 1984

EXHIBIT "A"

BERRY STATE UNIT

I. Description of Unit Area:

Township 21 South, Range 33 East, N.M.P.M., Lea County, New Mexico

Section 13: All
Section 14: E/2
Section 24: All

Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico

Section 18: Lots 1, 2, 3, 4, E/2W/2
Section 19: Lots 1, 2, 3, 4, E/2W/2

As to All Depths in Unit Area

Total Unit Area: 2,228.320 acres

All W. I. Owners have committed their acreage to Operating Agreement.

II. Names and Addresses of Parties:

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702

Natomas North America, Inc.
1010 Gibraltar Savings Building
Midland, Texas 79701

Getty Oil Company
P. O. Box 1231
Midland, Texas 79702

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001

The Superior Oil Company
P. O. Box 1900
Midland, Texas 79702

Texaco, Inc.
P. O. Box 3109
Midland, Texas 79702

III. Schedule of Interests of Parties

Working Interest Owners	W. I. Percent Prior to Farmout	W. I. Percent In Initial Test Well Before Payout	W. I. Percent In Initial Test Well After Payout and Subsequent Wells (3)
Union Oil Company of California (2)	50.01256	70.02669	60.01962
Natomas North America, Inc. (1)	21.54089	-	10.77044
Getty Oil Company (2)	7.18030	10.05373	8.61702
The Superior Oil Company (2)	7.18030	10.05373	8.61702
Amoco Production Company (2)	7.04612	9.86585	8.45598
Texaco, Inc. (1)	7.03983	-	3.51992
	100.00000	100.00000	100.00000

(1)

These parties have elected to farmout their respective unit interest in initial test well in accordance with terms presented in Union Oil Company of California's proposal letter dated January 12, 1981, and individual farmout agreements with Union pursuant thereto. Commercial production will earn participating parties 50% of farmout party's unit interest to 100 feet below deepest depth drilled not to exceed the base of the Morrow formation, with participating parties receiving 100% of farmout party's interest in production from the initial test well until payout, subject to farmout party retaining a 1/16 of 8/8 overriding royalty, convertible at payout to a 50% working interest, all proportionately reduced.

(2)

These parties have agreed to proportionately share the farmouts in the following ratio:

Union Oil Company of California	70.02669%
Getty Oil Company	10.05373%
The Superior Oil Company	10.05373%
Amoco Production Company	9.86585%
	100.00000%

(3)

Computed assuming Natomas North America, Inc. and Texaco Inc. elect to convert their overriding royalty to a working interest after payout of the initial test well.

THERE IS NO EXHIBIT "B".

KraftBilt 601, TULSA 74101

COPAS — 1974

Recommended by the Council of Petroleum Accountants Societies of North America

EXHIBIT "C"

Attached to and made a part of BERRY STATE UNIT Operating Agreement between UNION OIL COMPANY OF CALIFORNIA, Operator, and the signatory parties other than Operator.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

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

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%), or percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 3,782.00
Producing Well Rate $ 412.00

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

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected intc for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00----:

A. 5 % of total costs if such costs are more than $ 25,000.00--- but less than $100,000.00--; plus

B. 3 % of total costs in excess of $100,000.00-- but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

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

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

Attached to and made a part of BERRY STATE UNIT Operating Agreement between UNION OIL COMPANY OF CALIFORNIA, Operator, and the signatory parties other than Operator.

INSURANCE

Operator shall carry or provide the following insurance with respect to operations on all lands subject to this Agreement:

(a) Workmen's Compensation Insurance, including Employer's Liability, as required by law.

(b) Automobile Public Liability and Property Damage Insurance with minimum limits of $100,000 bodily injury or death per person, with $300,000 bodily injury or death each accident, and $100,000 property damage each accident.

(c) Such additional insurance as may hereafter be required by law.

All insurance coverage required hereby shall be carried at the Joint Expense and for the benefit of the parties hereto, except for premiums for Automobile Public Liability and Property Damage Insurance on Operator's fully owned equipment, which shall not be charged directly to the Joint Account, but will, instead, be covered by the flat rate charges assessed the Unit for use of such equipment. Operator shall not be required to carry any other insurance for the Joint Account of the parties hereto. Any party may, at its own expense, acquire such insurance as it deems proper to protect itself against any claims, losses, damages, or destruction resulting from Unit operations.

Operator shall require all contractors engaged in work in or on the Unit Area to carry insurance for the benefit and protection of the Working Interest Owners consistent with Operator's minimum requirements.

EXHIBIT "E"
GAS BALANCING AGREEMENT
FOR GAS WELL PRODUCTION

1. Each party shall have the right to take in kind and separately dispose of its proportionate share of the gas produced from the Unit Area and shall be entitled to an opportunity to produce its fair share of the allowable production from a gas well (including lawful tolerances) established by appropriate regulatory authority.

2. It is the intent that each party be entitled to gas produced in the proportion that its ownership interest bears to the sum of the ownership interests. It is the intent that the Unit Operator have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Unit Operator shall cause deliveries to be made to the gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

3. To give effect to the intent of this agreement, the Unit Operator shall be governed by the following rights of each party:

(a) When the well's current production is less than the well allowable due to either the capacity of the well to produce or the Unit Operator causing the well to produce below allowable in order to properly balance well allowable overproduction:

(1) Each underproduced party (a party who has taken a lesser volume of gas than the quantity such party is herein entitled) shall have the right to take a greater amount of gas than its proportionate share of the well's current production, provided that the right to take such greater amount shall be in proportion that its interest bears to the total interest of all underproduced parties desiring to take more than their proportionate share of the well's current production.

(2) Each overproduced party (a party who has taken a greater volume of gas than the quantity such party is herein entitled) shall reduce its respective take in the proportion that such party's interest bears to the total interest of all overproduced parties, but in no event shall any overproduced party be required to reduce its take to less than FIFTY PERCENT (50%) of such overproduced party's proportionate share of the well's current production.

(b) When the well's current production is less than the well allowable due to combined pipeline takes or for reasons other than in subparagraph (a) above:

(1) Each underproduced party shall have the right as in subparagraph (a)(1) above.

(2) Each overproduced party shall reduce its respective take in the proportion that such party's interest bears to the total interest of all overproduced parties, but in no event shall any overproduced party be required to reduce its take to less than FIFTY PERCENT (50%) of such overproduced party's proportionate share of the well allowable.

(c) When the well's current production is equal to or greater than the well allowable:

(1) Each underproduced party shall have the right to take a greater amount of gas than its proportionate share of the well allowable, provided that the right to take such greater amount shall be in proportion that its interest bears to the total interests of all underproduced parties desiring to take more than their proportionate share of the well allowable.

(2) Each overproduced party shall have the right as in subparagraph (a)(2) above.

(d) The Unit Operator, at the request of any party, may produce the entire well stream, if necessary, for a deliverability test not to exceed seventy-two (72) hours duration required under such requesting party's gas sales contract and may overproduce in any other situation provided that such overproducing would be consistent with prudent operations.

4. Each party taking gas shall furnish the Unit Operator a monthly statement of gas taken. After commencement of production, Unit Operator shall furnish a current account monthly of the gas balance between parties hereto including the total quantity of gas produced, the portion thereof used in Unit operations, vented or lost, and the total quantity of gas delivered to a market.

5. Each party producing and/or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

6. The provisions of this agreement shall be separately applicable to each well and each reservoir to the end that production from one reservoir in a gas well may not be utilized for the purpose of balancing underproduction from other reservoirs.

7. When gas sales from a gas well permanently cease, Unit Operator shall make a final determination of the volumes of over and/or underproduction, if any, which have accrued since the last volumetric balance, as of the date of such cessation of sales and the identity of the party or parties who are over or underproduced. A cash balancing adjustment shall be made by the overproduced party, or parties, to the underproduced party, or parties, for the overproduced volumes which have been taken and sold; the price to be paid for such adjustment shall be the actual price received for such overproduction by the overproduced party, or parties, less appropriate deductions for taxes and/or royalties paid on such production by the overproduced party.

8. This agreement may be executed in counterparts but will not be binding on any party unless and until all working interest parties in a gas well have accepted this Gas Balancing Agreement without exception.

9. This shall constitute a separate agreement as to each well and as to each reservoir.

EXHIBIT "F"

Attached to and made a part of BERRY STATE UNIT Operating Agreement between UNION OIL COMPANY OF CALIFORNIA, Operator, and the signatory parties other than Operator.

Operator shall comply where applicable with the following clauses contained in 41 CFR:

60-1.4(a)	(Equal Employment Opportunity);
1-12.803-10	(certification of non-segregated facilities);
60-250	(employment opportunity for veterans);
60-741	(employment opportunities for handicapped individuals);
1-1.710	(subcontracting with small business concerns);
1-1.805	(subcontracting with labor surplus area concerns);
1-1.1310	(subcontracting with minority business enterprises); and
1-1.2302-2	(environmental protection).

These clauses are incorporated herein by reference if and to the extent applicable to this contract by law, executive order, or regulation. Operator represents that it is in compliance with the reporting requirements of 41 CFR 60-1.7 and the Affirmative Action Program requirements of 41 CFR 60-1.40 and 60-2.

EXHIBIT "G"

This Exhibit "G" to the BERRY STATE UNIT Operating Agreement, hereinafter referenced to as "Subject Agreement", hereby creates a partnership for United States income tax purposes and sets forth the manner in which the Parties thereto will implement the agreement not to exercise the election to be excluded from the provisions of Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1954, as amended. If any property covered by the Subject Agreement is permanently located in a state which has income tax statutes with provisions similar or related to the Federal statute referred to in the preceding sentence, this Agreement shall be effective under such state income tax law.

The partnership elects for purposes of all income tax returns: (A) to use the accrual method of accounting, (B) to adopt the calendar year as the annual accounting period, (C) to charge to expense all intangible drilling and development costs incurred in the drilling of both productive and non-productive wells and the preparation of wells for production of oil and gas, in accordance with Section 263(C), Internal Revenue Code of 1954, and comparable provisions of State Law, (D) to compute the allowance for depreciation in respect of all property subject to depreciation that is acquired by or for the partnership in accordance with the Asset Depreciation Range System. Allowances for depreciation will be computed using the maximum rate and the shortest life permissible under the Asset Depreciation Range System, (E) Operator agrees to consult with the other partners prior to making any other tax elections required by partnership. Each Party agrees timely to provide Operator with all pertinent information relating to the operation under the Subject Agreement as is necessary for the proper preparation of such income tax returns. Operator is hereby granted authority in its discretion to make any election under applicable state law and the United States Internal Revenue laws and regulations which a partnership may make or which may be made by the partnership or any partner.

Specifically, without limiting Operator's general authority to make elections as stated in the above paragraph, the Parties hereto agree that for United States and state income tax purposes the gains and losses from sales, abandonments, and other disposition of property and all classes of costs, expenses and credits, including depreciation and depletion, will be shared and accounted for by the Parties hereto in any applicable income tax return as follows:

(a) The production costs will be allocated as deductions to each Party in accordance with its respective contributions to such costs.

(b) The exploration costs and intangible drilling and development costs will be allocated as deductions to each Party in accordance with its respective contributions to such costs.

(c) The depreciation on tangible equipment will be allocated to each Party in accordance with its respective contributions to the adjusted basis of such equipment.

(d) The deduction for depletion with respect to each separate property or elected combination of properties as defined or provided for in Section 614 of the Code shall be determined separately for and by each party as provided for in Section 613A(c)(7)(D) of the Code. The deduction for depletion for any state income tax purpose shall be made upon a basis comparable with that provided in the preceding sentence with respect to Federal income tax computations if applicable state law authorizes such method; provided, however, if such method is not authorized and depletion deductions are required to be computed as a total amount for any property, such depletion deduction shall be allocated between the Parties in the same ratio as the Parties' respective shares of the total adjusted basis of the property subject to the depletion deduction until such adjusted basis is first reduced to zero and thereafter shall be allocated in the ratio which the parties realize gross income which is subject to depletion.

(e) Gains and losses from each sale, abandonment or other disposition of the property (other than the hydrocarbon substances produced

under the provisions of Subject Agreement) will be attributed to the Parties in such manner as to reflect the gains and losses that would have been includable in their respective income tax returns if such property were held by the Parties outside Subject Agreement. The computations will take into account each Party's share of the proceeds derived during the year, selling expenses and the Party's respective contributions to the unadjusted cost basis of such property, less any allowed or allowable depreciation, depletion, amortization or other deductions which have been allocated to each Party with respect to such property as provided herein.

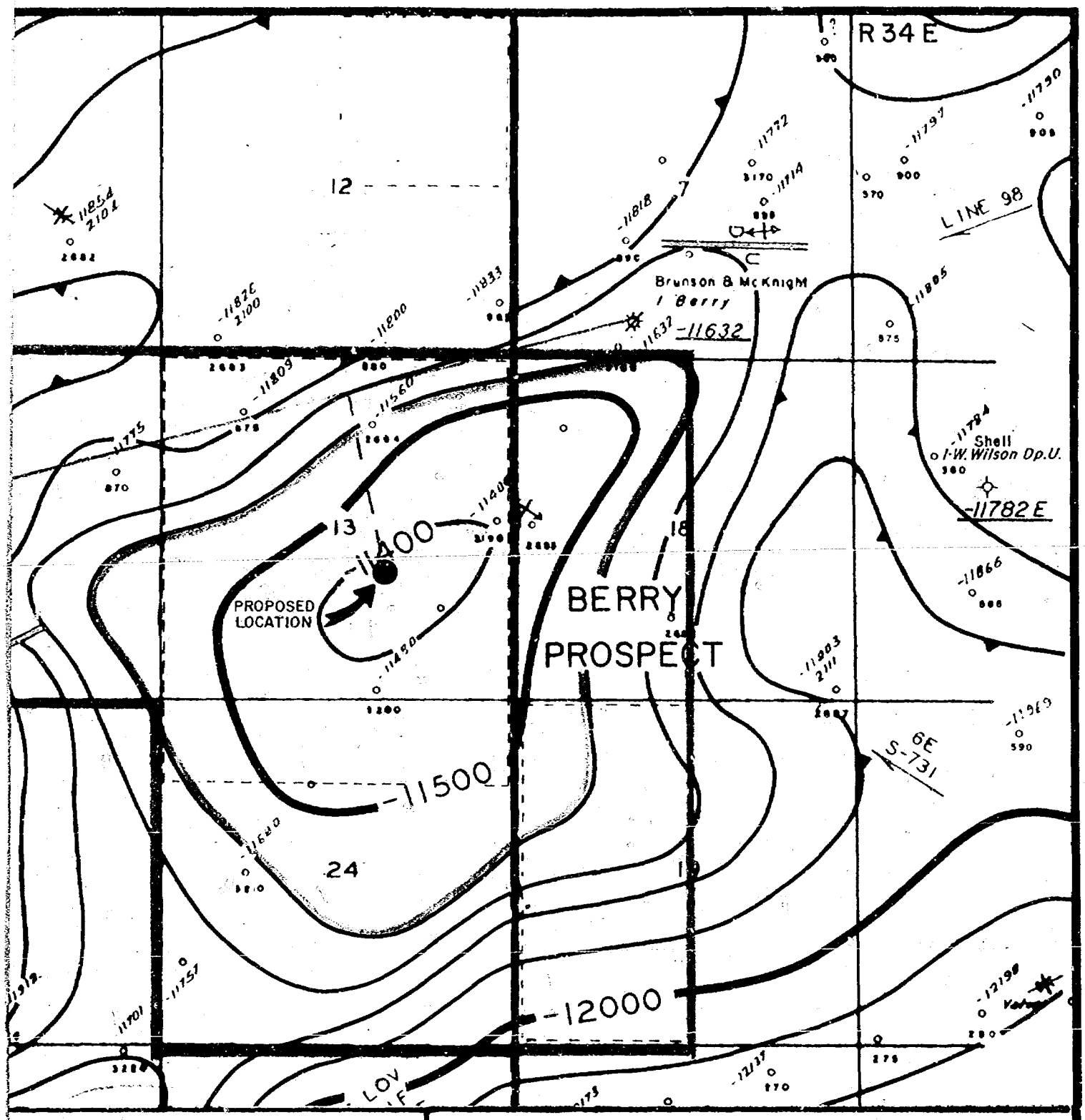
(f) Any investment credit allowed for income tax purposes will be allocated to the Parties in accordance with their respective contributions to qualified investments as provided in the appropriate statute.

(g) All other classes of costs, expenses, income, and credits not falling within subparagraphs (a), (b), (c), (d), (e) and (f) above will be allocated to and accounted for by each Party in accordance with its respective contribution to such costs, expenses and credits.

(h) Any recapture treated as an increase in tax, decrease in credit, or increase in ordinary income under Sections 47, 1245, 1250, or 1254 of the Internal Revenue Code of 1954 shall be allocated to the partners in the amounts in which such recaptured items were previously allocated to them.

Without limiting the authority of Operator under the Subject Agreement and to the extent that information regarding operations conducted under Subject Agreement has been provided to Operator by the Parties, at least thirty (30) days prior to the filing of any income tax return pursuant hereto, Operator will furnish the Parties a draft thereof and other Parties will have the right to review and suggest any amendment considered by them to be pertinent or necessary.

In the event any interest in the Subject Agreement is transferred, conveyed or assigned by one of the Parties hereto to any third party subject to the income tax laws of the United States of America, such transfer, conveyance or assignment will be made subject to this Agreement.



BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 5
CASE NO 7262
Submitted by Union
Hearing Date

UNION OIL COMPANY OF CALIFORNIA
CENTRAL REGION
MIDLAND DISTRICT
REFLECTION SEISMOGRAPH SURVEY

BERRY PROSPECT

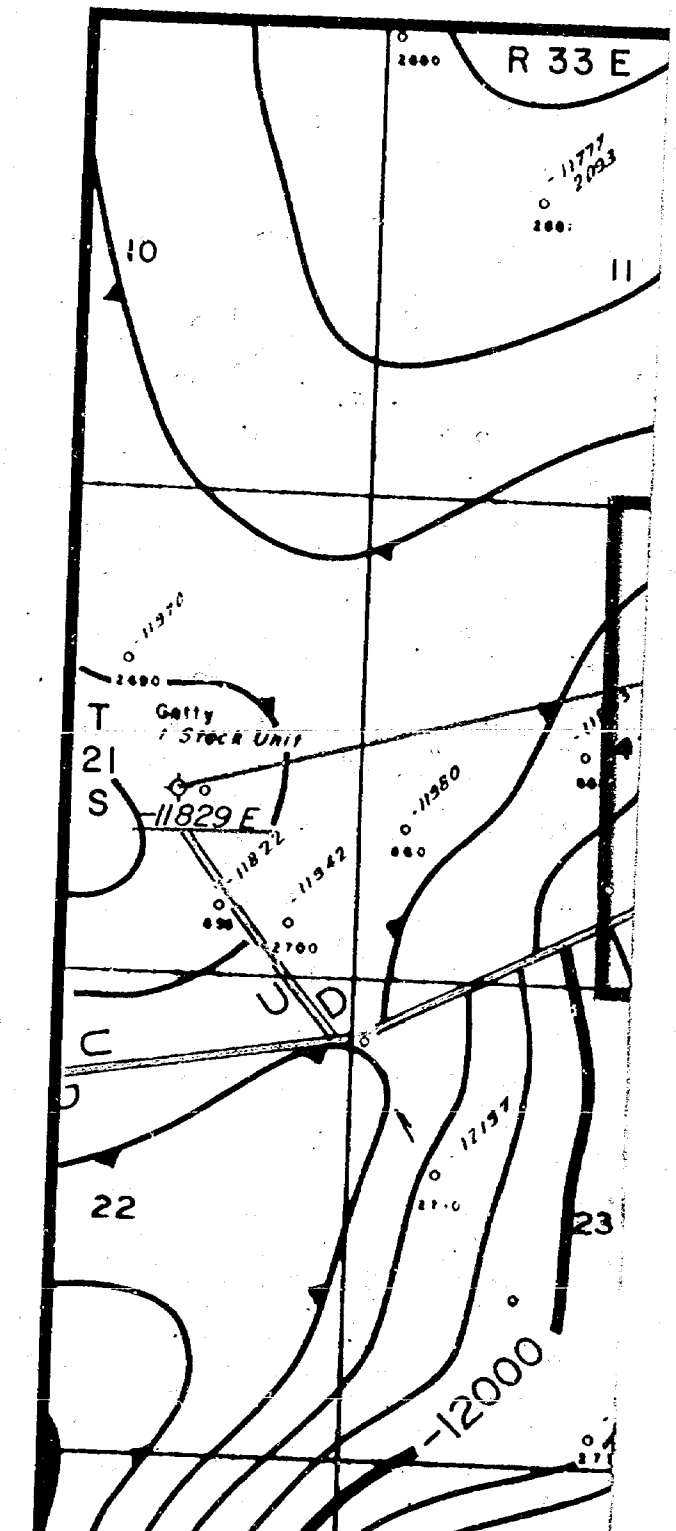
LEA COUNTY, NEW MEXICO

T/SILURO DEVONIAN

(ADJUSTED)

CONTOUR INTERVAL: 100 FEET
DATUM V. R. H.
INTERPRETATION BY: D. B. HARRIS
C. E. SINGLETARY REV. MARCH, 1981
DATE MARCH, 1980

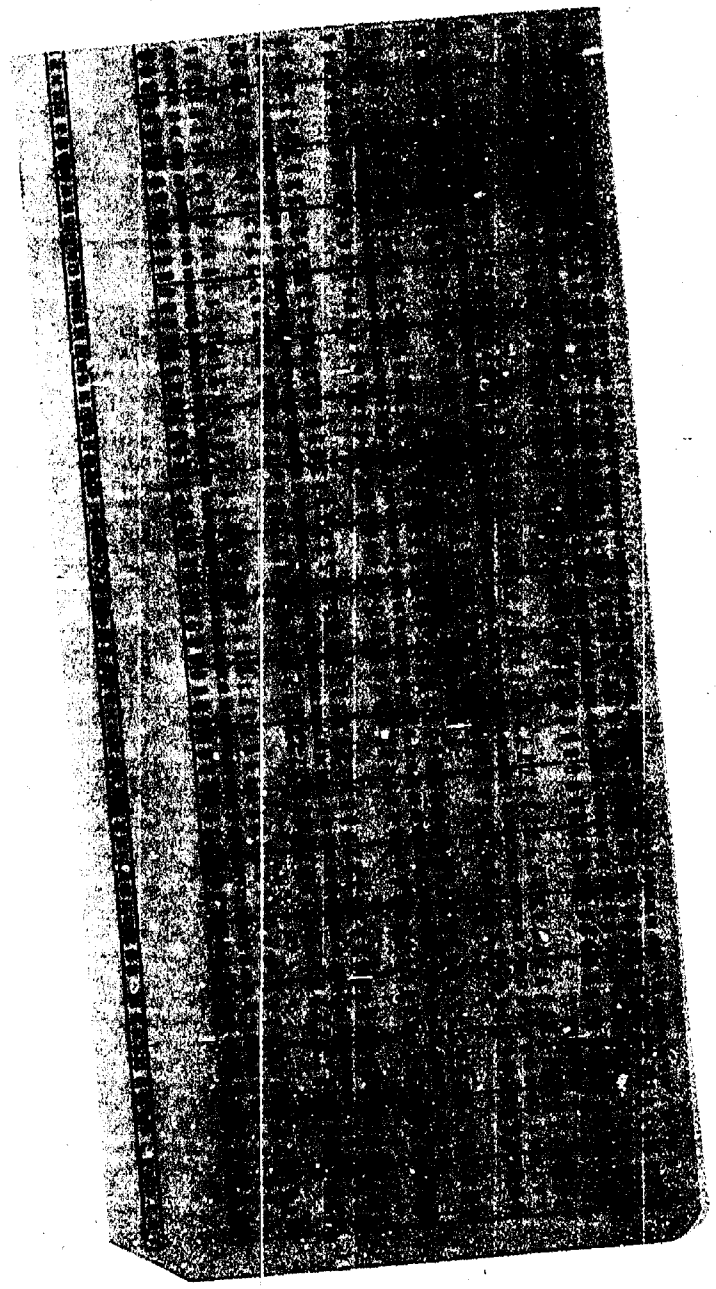
0 2000 4000 8000



PROPOSED UNIT CONSISTS OF ALL DRILLABLE PRORATION UNITS ABOVE CRITICAL CLOSING CONTOUR AT -11600 FEET SUB SEA.

UNION ACREAGE

PROPOSED UNIT OUTL



Dockets Nos. 19-81 and 20-81 are tentatively set for June 17 and July 2, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 3, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 7261: Application of Robert N. Enfield for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Pecos River Bluff Unit Area, comprising 4789 acres, more or less, of State and Federal lands in Township 13 South, Range 27 East.

CASE 7262: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Berry State Unit Area, comprising 2,228 acres, more or less, of State lands in Township 21 South, Ranges 33 and 34 East.

CASE 7263: Application of Yates Petroleum Corporation for amendment of Order No. R-5527, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-5527, which approved an unorthodox Morrow location, to permit the recompletion of its Blevins "IK" Well No. 1 in Unit D of Section 35, Township 17 South, Range 26 East, as an unorthodox gas well location in all Wolfcamp and Pennsylvanian formations.

CASE 7238: (Continued from May 6, 1981, Examiner Hearing)

Application of Holly Energy, Inc. for directional drilling and an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Salt Lake South Deep Well No. 1, the surface location of which is 2189 feet from the North line and 500 feet from the East line of Section 6, Township 21 South, Range 32 East, South Salt Lake-Morrow Gas Pool, in a northerly direction to bottom it within 150 feet of the center of Unit A (Lot 1) of said Section 6, Lots 1 thru 8 to be dedicated to the well.

CASE 7217: (Continued and Readvertised)

Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its Travis Ohio State Com Well No. 1 to be drilled 760 feet from the South line and 660 feet from the West line of Section 13, Township 18 South, Range 28 East, the S/2 of said Section 13 to be dedicated to the well.

CASE 7251: (Continued from May 6, 1981, Examiner Hearing)

Application of Southern Union Exploration Company of Texas for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the West Puerto Chiquito-Mancos Oil Pool underlying all of Section 36, Township 24 North, Range 1 West, to be dedicated to its Mobil Federal Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7264: Application of Cities Service Company for a salt water disposal well, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Entrada formation at a depth of 5200 feet to 5350 feet in its Federal "E" Well No. 2 in Unit H of Section 28, Township 19 North, Range 5 West.

CASE 7265: Application of Tenneco Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 2310 feet from the North line and 990 feet from the West line of Section 13, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, the N/2 of said Section 13 to be dedicated to the well.

CASE 7266: Application of Tenneco Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North line and 1650 feet from the East line of Section 14, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, the N/2 of said Section 14 to be dedicated to the well.

JAMES T. JENNINGS
SIM B. CHRISTY IV
DEAN G. CONSTANTINE

LAW OFFICES OF
JENNINGS & CHRISTY
1012 SECURITY NATIONAL BANK BUILDING
P. O. BOX 1180
ROSWELL, NEW MEXICO 88201

May 6, 1981

Case 7262

Oil Conservation Division
State of New Mexico
P. O. Box 2088
Santa Fe, NM 87501

Re: Union Oil Company of California
Application for Approval of Berry
State Unit, Lea County, New Mexico

Gentlemen:

Enclosed herewith you will find an Application in duplicate which we are filing on behalf of Union Oil Company of California for the approval of the Berry State Unit covering 2,228.32 acres of State lands in Lea County, New Mexico. Please set this matter down for hearing before the Examiner on the June 3 docket. If there are any questions please call us.

Very truly yours,

JENNINGS & CHRISTY

James T. Jennings

JTJ/jb

Encl.

cc: Robert V. Lockhart

BEFORE THE OIL CONSERVATION DIVISION
OIL & ENERGY MINERALS DEPARTMENT
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE BERRY STATE
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO

Case 7262

APPLICATION

COMES NOW Applicant, Union Oil Company of California, by its attorneys, Jennings & Christy, and requests approval of the Berry State Unit Agreement covering 2,228.32 acres of State lands, Lea County, New Mexico, and in support of its Application states:

1. Applicant desires to obtain Division's approval of the Berry State Unit Agreement covering 2,228.32 acres of State lands described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 21 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 13: All
Section 14: E½
Section 24: All

TOWNSHIP 21 SOUTH, RANGE 34 EAST, N.M.P.M.

Section 18: Lots 1, 2, 3, 4, E½W½
Section 19: Lots 1, 2, 3, 4, E½W½

2. Applicant proposes to drill a Morrow test well to be located 1,980' FSL and 1,980' FEL of Section 13, Township 21 South, Range 33 East, to a depth sufficient to test the Morrow formation or 14,300 feet, whichever is lesser, and feels that the Unit Agreement will promote the prevention of waste and the protection of correlative rights within the Unit Area.

3. Applicant will be the operator of the Unit Area.

4. A copy of the Unit Agreement will be furnished at the time of the hearing and a copy of the proposed Unit Area reflecting the State acreage and the leases is attached hereto and marked Exhibit "A".

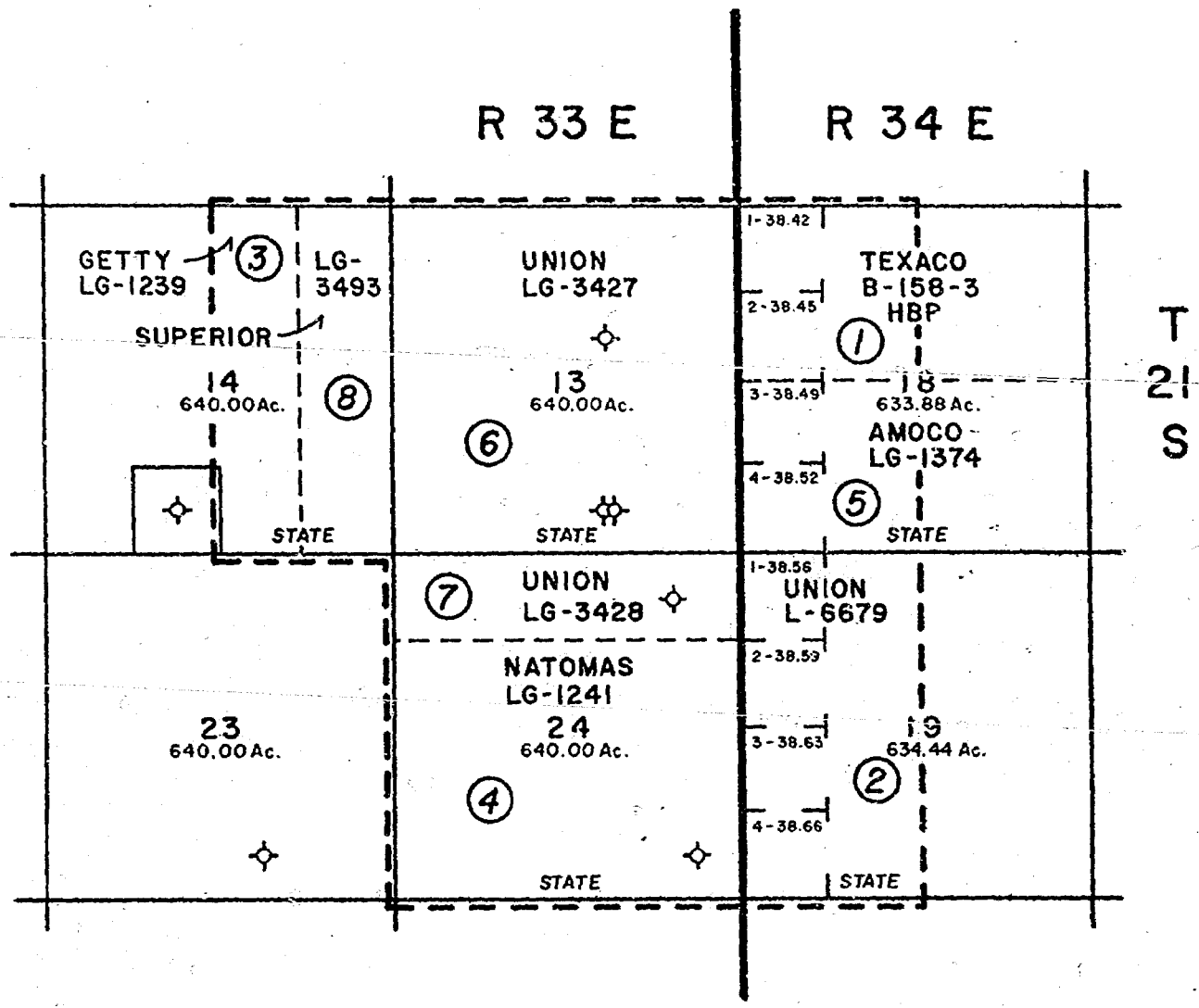
WHEREFORE, the Applicant requests the Division to set this matter down for hearing before an examiner at an early date, publish notice as required by law, and after hearing issue its order approving the Berry State Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By _____
For Jennings & Christy
Attorneys for Applicant
P. O. Box 1180
Roswell, New Mexico 88201

EXHIBIT "A"



(1) TRACT NUMBER - EXHIBIT "B"

TOTAL UNIT AREA CONSISTS OF STATE LANDS - 2228.32 Ac.

EXHIBIT "A"

BERRY STATE UNIT

LEA COUNTY, NEW MEXICO

0 5000 FEET

0 1 MILE

BEFORE THE OIL CONSERVATION DIVISION
OIL & ENERGY MINERALS DEPARTMENT
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE BERRY STATE
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO

Case 7262

APPLICATION

COMES NOW Applicant, Union Oil Company of California, by its attorneys, Jennings & Christy, and requests approval of the Berry State Unit Agreement covering 2,228.32 acres of State lands, Lea County, New Mexico, and in support of its Application states:

1. Applicant desires to obtain Division's approval of the Berry State Unit Agreement covering 2,228.32 acres of State lands described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 21 SOUTH, RANGE 33 EAST, N.M.P.M.

Section 13: All
Section 14: E½
Section 24: All

TOWNSHIP 21 SOUTH, RANGE 34 EAST, N.M.P.M.

Section 18: Lots 1, 2, 3, 4, E½W½
Section 19: Lots 1, 2, 3, 4, E½W½

2. Applicant proposes to drill a Morrow test well to be located 1,980' FSL and 1,980' FEL of Section 13, Township 21 South, Range 33 East, to a depth sufficient to test the Morrow formation or 14,300 feet, whichever is lesser, and feels that the Unit Agreement will promote the prevention of waste and the protection of correlative rights within the Unit Area.

3. Applicant will be the operator of the Unit Area.

4. A copy of the Unit Agreement will be furnished at the time of the hearing and a copy of the proposed Unit Area reflecting the State acreage and the leases is attached hereto and marked Exhibit "A".

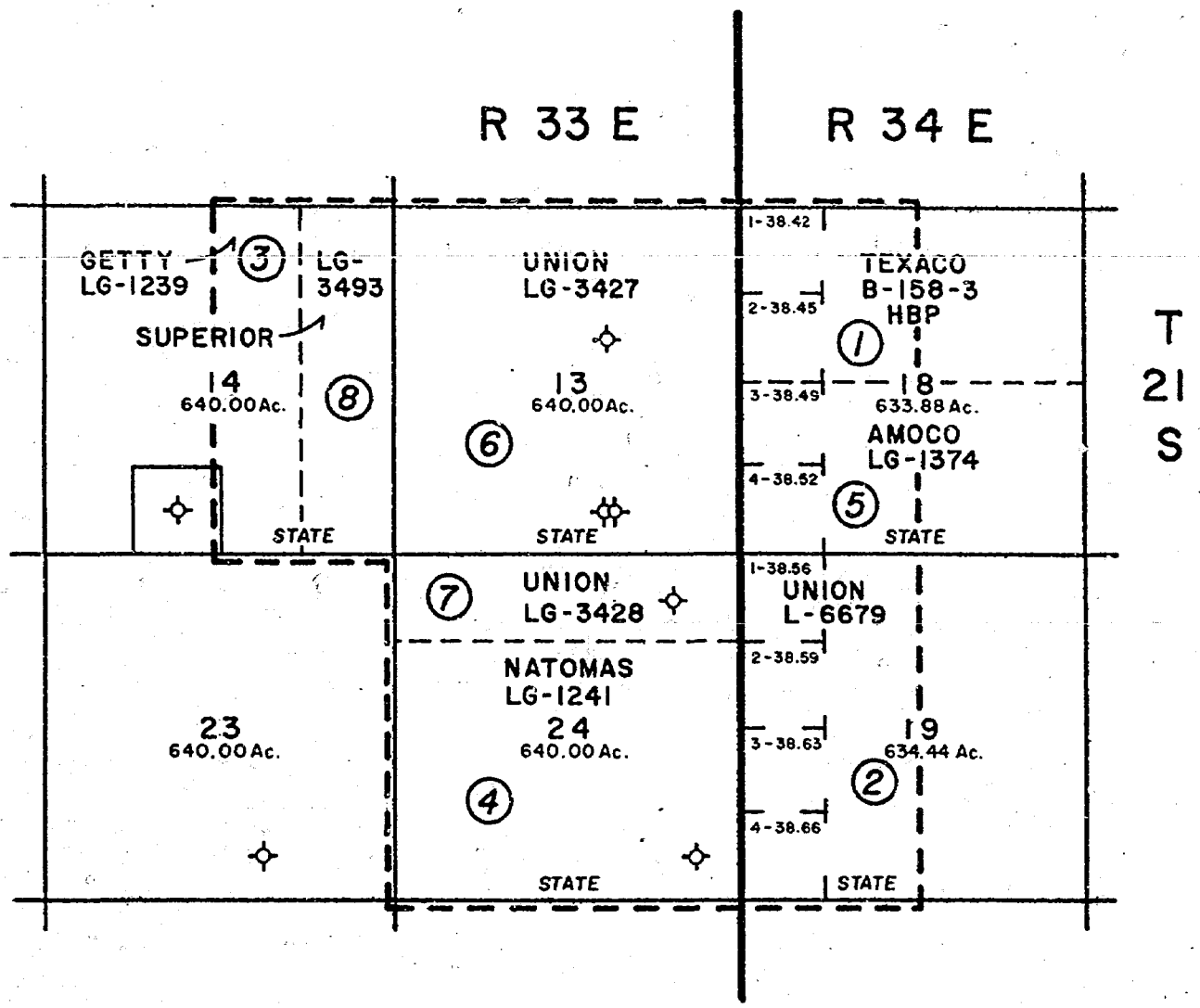
WHEREFORE, the Applicant requests the Division to set this matter down for hearing before an examiner at an early date, publish notice as required by law, and after hearing issue its order approving the Berry State Unit Agreement.

Respectfully submitted,

UNION OIL COMPANY OF CALIFORNIA

By _____
For Jennings & Christy
Attorneys for Applicant
P. O. Box 1180
Roswell, New Mexico 88201

EXHIBIT "A"



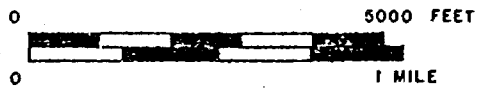
(1) TRACT NUMBER - EXHIBIT "B"

TOTAL UNIT AREA CONSISTS OF STATE LANDS - 2228.32 Ac.

EXHIBIT "A"

BERRY STATE UNIT

LEA COUNTY, NEW MEXICO



ROUGH
dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7262

Order No. R-6706

APPLICATION OF UNION OIL COMPANY OF CALIFORNIA
FOR APPROVAL OF THE BERRY STATE
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 3, 19 81, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this day of June, 19 81, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Union Oil Company of California, seeks approval of the Berry State Unit Agreement covering 2,228.32 acres, more or less, of State, ~~Federal~~ and ~~Fee~~ lands described as follows:

LEA COUNTY, NEW MEXICO
Township 21 South Range 33 East, NMPM
Section 13: All
Section 14: E/2
Section 24: All

Township 21 South, Range 34 East, NMPM
Section 18: W/2
Section 19: W/2

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Berry State Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the

State of New Mexico ~~and the Director of the United States Geological Survey~~; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.