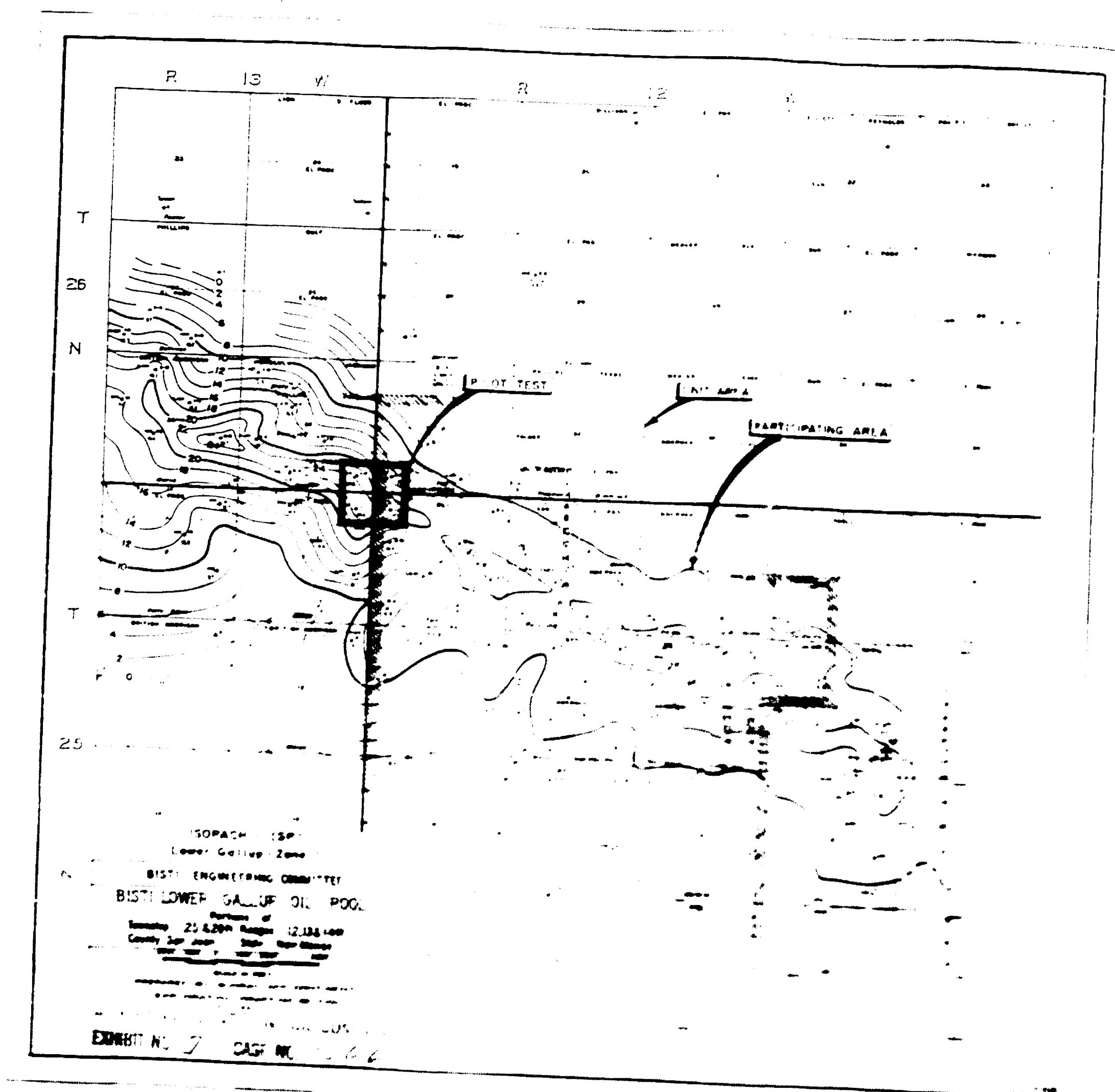
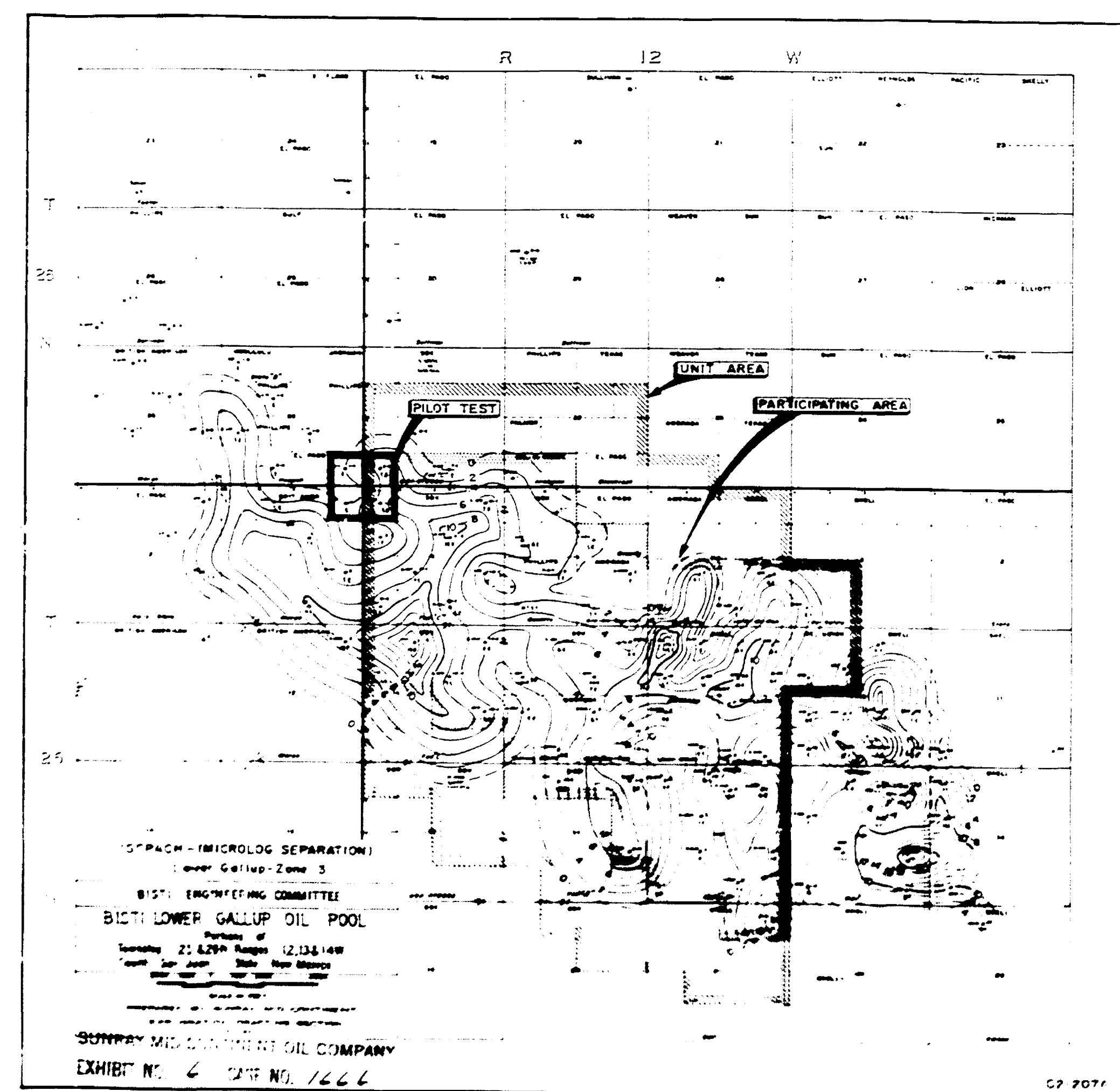
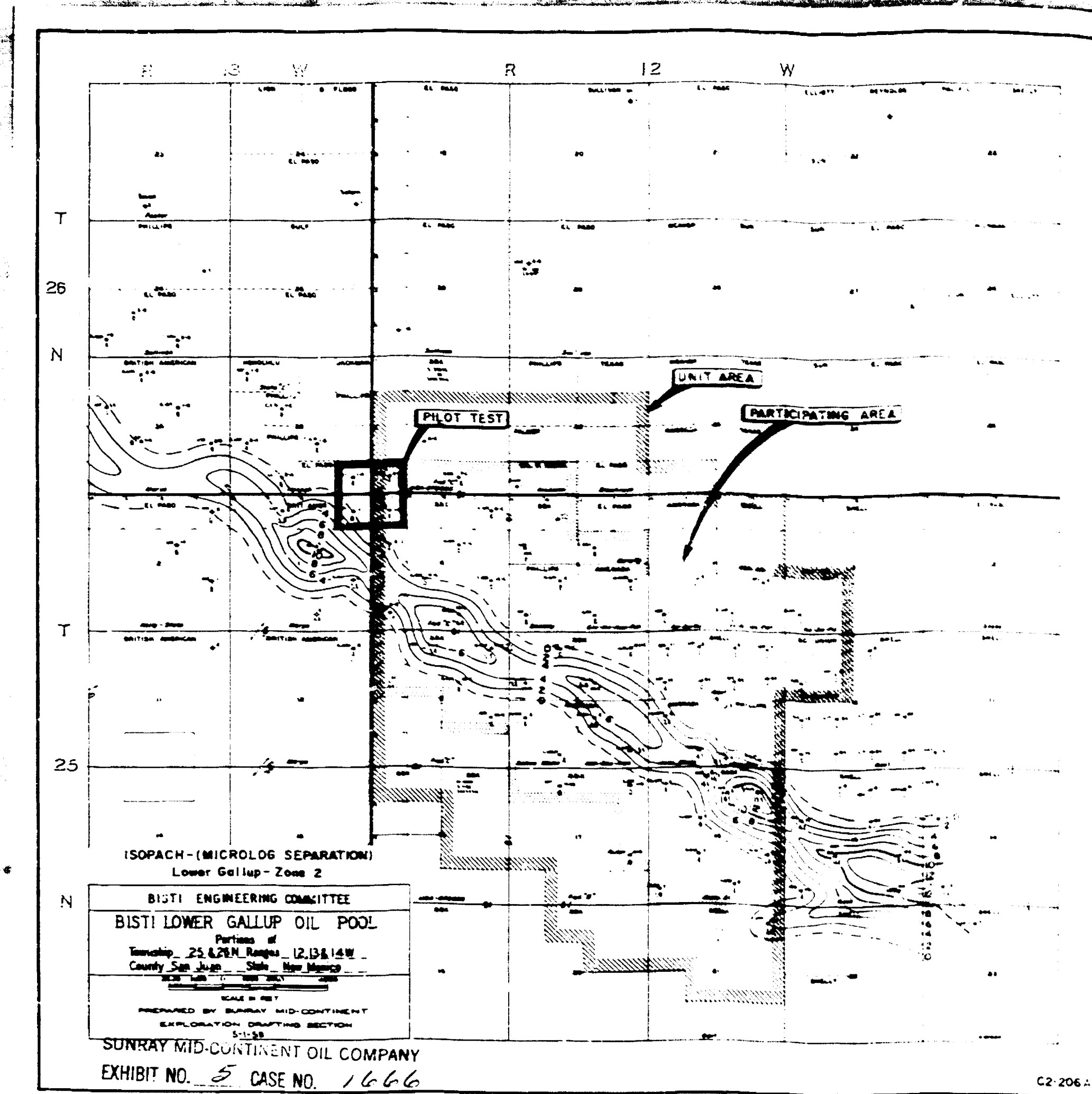
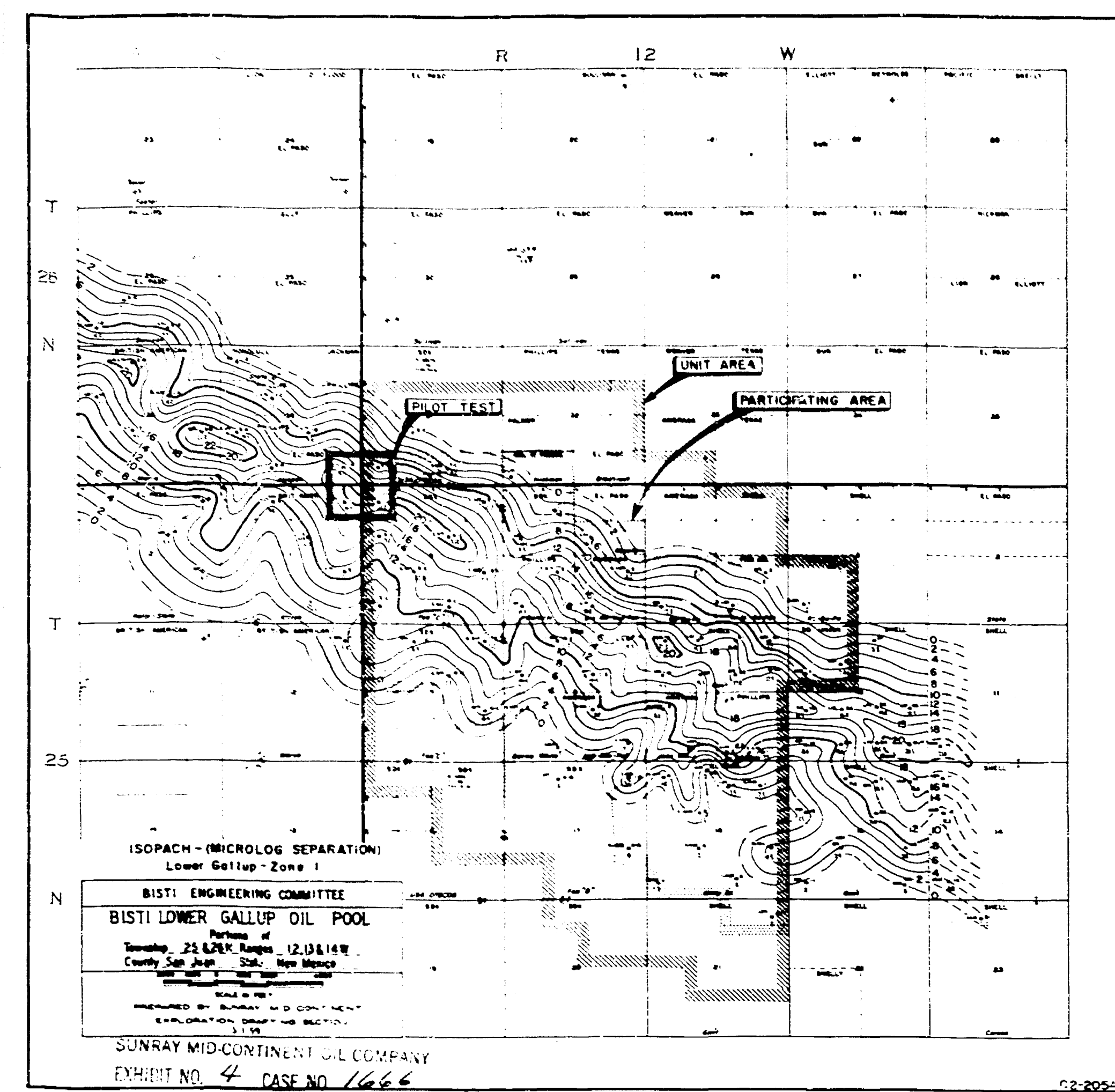


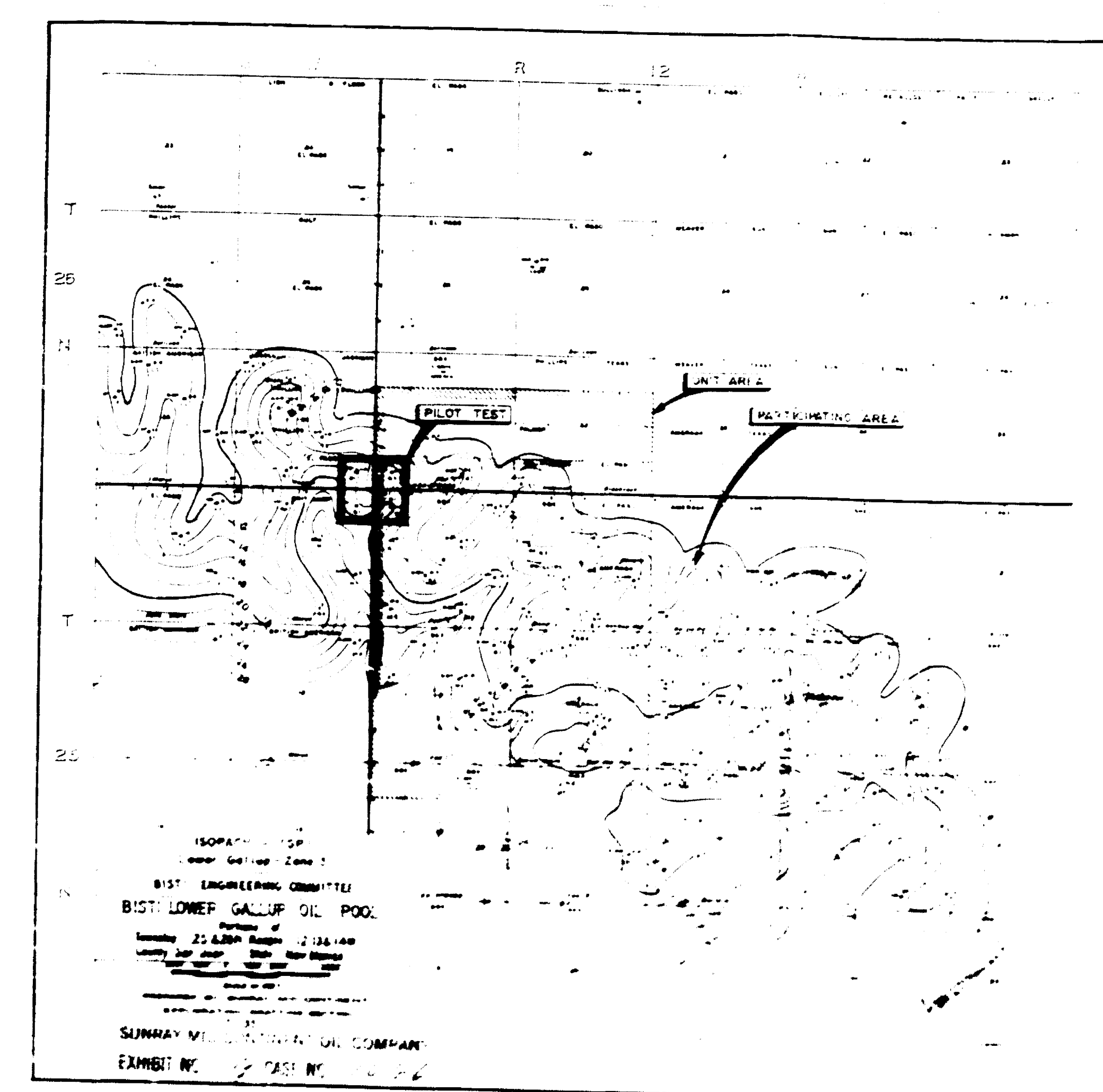
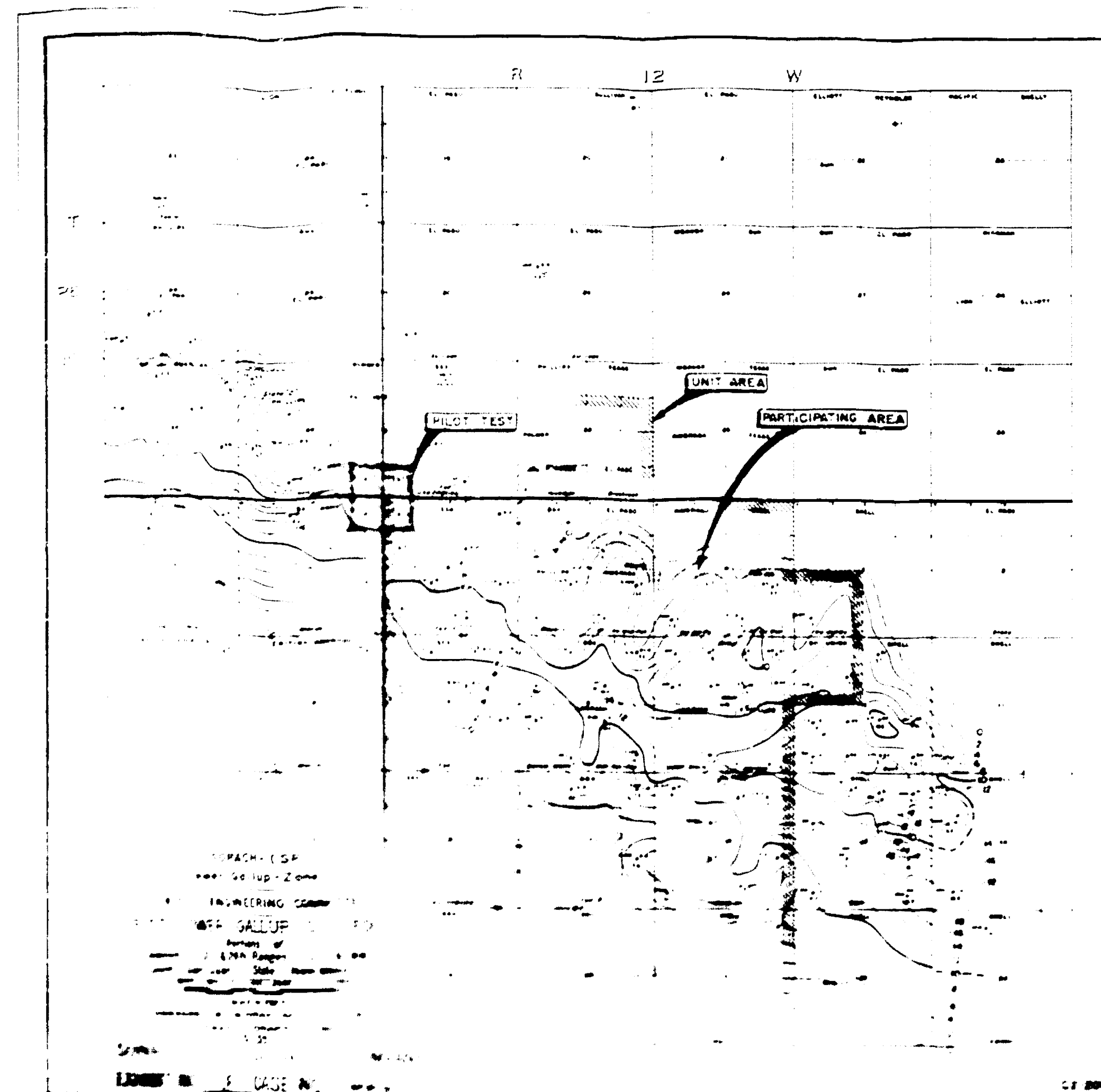
Case No.

1666

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Exhibits.





UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL BISTI LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

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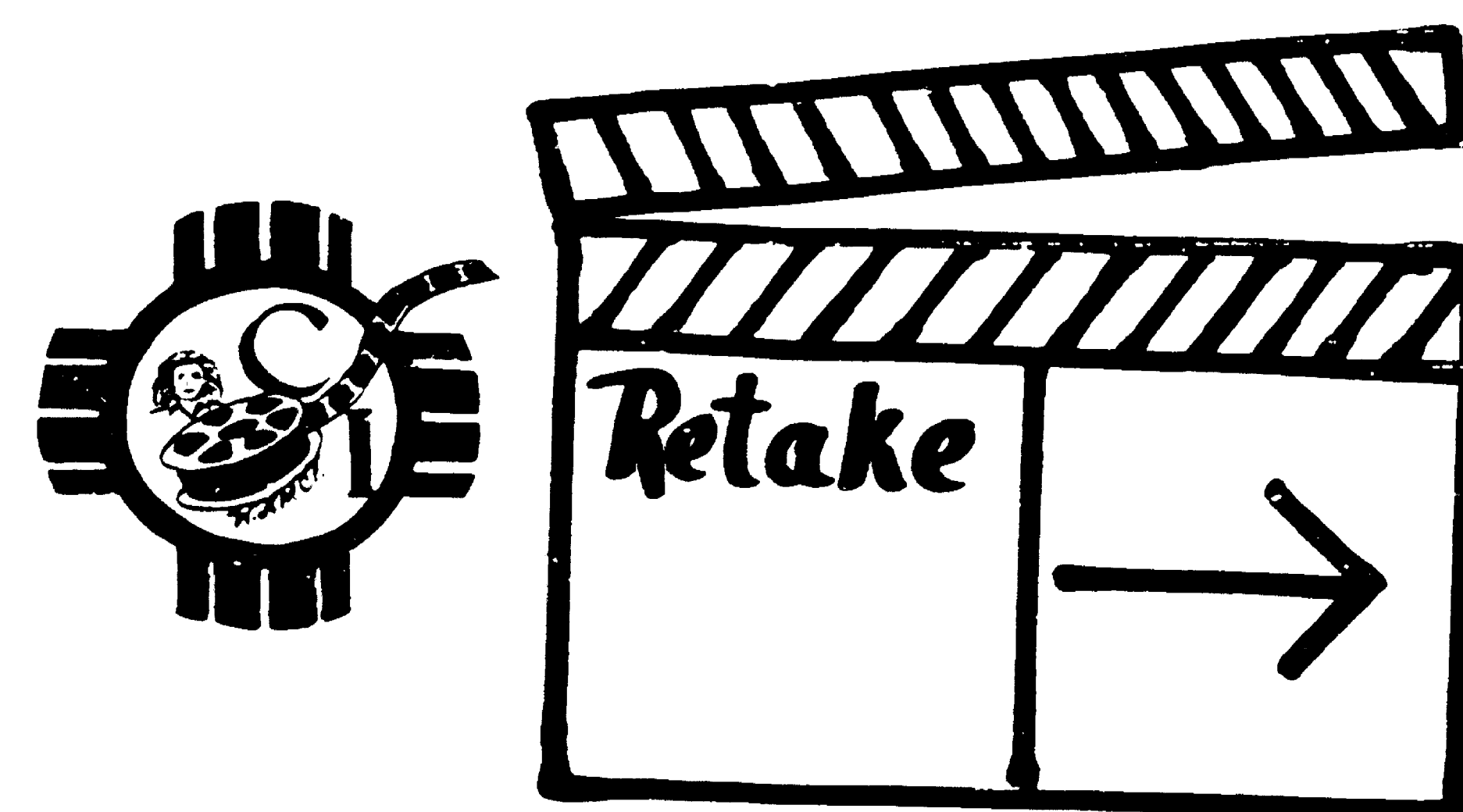
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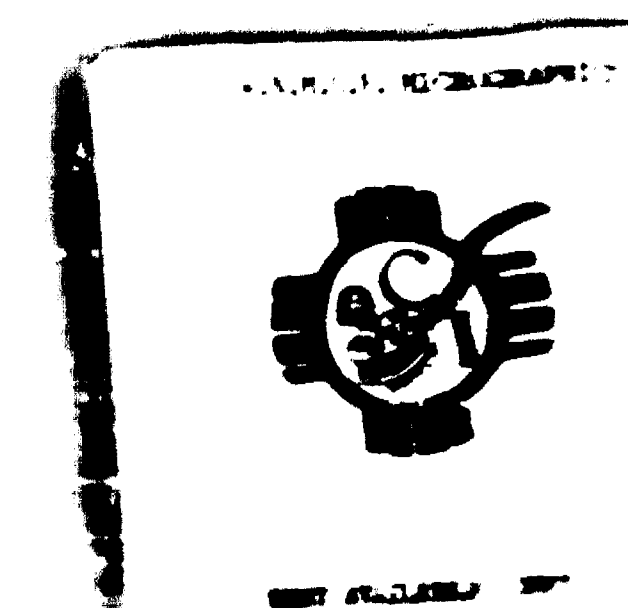
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DEED NO. 2 DEED NO. 11666

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- 7.2 Basis of Charge to Working Interest Owners
- 7.2 Budgets
- 7.3 Advance Billings
- 7.4 Commingling of Funds
- 7.5 Lien of Unit Operator

Section 7702L. Dependents and Assignees
 2011 Dependents and Assignees

1. The Government of the United States of America, hereinafter referred to as the "Government", and the Government of the Republic of the Philippines, hereinafter referred to as the "Philippines", have agreed to enter into a Mutual Defense Treaty, which shall be known as the "Mutual Defense Treaty between the United States of America and the Republic of the Philippines".



the context. Also, all land owned by the Unit Agreement shall constitute land referred to herein as "Unitized Land" or "Land subject to this agreement".

1.2 DEFINITIONS: A "Working Interest" is an interest committed hereto which is obligated to pay or share, either in cash or out of production (other than by permitting the use of Unitized Substances for development, production, pressure maintenance, or secondary recovery purposes), a portion of all costs and expenses of drilling, developing, producing and operating the Unitized Land under this agreement and the Unit Agreement; and a "Working Interest Owner" is the owner of a working interest. A Working Interest Owner is sometimes referred to herein simply as a "owner" or a "party hereto". A "Royalty Owner" is any party hereto who owns a right to or interest in any portion of the Unitized Substances or Proceeds thereof other than a Working Interest Owner. "Unitized Substances" shall mean all oil and gas (which includes casing substances, condensate, distillate and all associated and constituent fluid or liquid hydrocarbons) within or produced from the West Lower Salt Sand in the lands subject to this agreement.

SECTION II

MANAGEMENT AND CONTROL

2.1 OVERALL SUPERVISION BY WORKING INTEREST OWNERS: Working Interest Owners shall exercise overall supervision and control of all matters pertaining to the development and operation of the Unitized Lands pursuant to this agreement and the Unit Agreement. In the exercise of such power each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not as a part of the owners as an entirety.

2.2 INDIVIDUAL POWERS AND DUTIES OF WORKING INTEREST OWNERS:

The matters to be passed upon and decided by Working Interest Owners in accordance with Section II hereof shall include, but not be limited to, the following:

- (a) The kind and method of operation, including the type of pressure maintenance or secondary recovery process to be employed;

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- (b) Except where otherwise provided herein or in the Unit Agreement, the drilling of any well within the Unit Area either for production of Unitized Substances, for use as an injection well or for other purposes;
- (c) The recompletion, abandonment, or change of status of any well in the Unit Area or use of any such well for injection or other purposes;
- (d) The making of an expenditure of more than \$15,000 exclusive of expenditures for drilling wells and all expenditures expressly authorized as part of some other expenditure; however, whether the expenditure involved be more or less than \$15,000 prior approval of the Working Interest Owners must be secured for the following: the recompletion, or change of status of any well in the Participating Area or use of any such well for injection or other purposes; provided that in case of blowout, explosion, fire, flood or other sudden emergency, Unit Operator may take steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life or property, but that Unit Operator shall, as promptly as possible, report the emergency to the owners.
- (e) The adoption or submission of any operating and development plan to the Supervisor, Commissioner and the Commission or any regulatory body;
- (f) The taking over of wells, property, and equipment as provided for in Section V hereof;
- (g) The designation of a representative to appear before any court or regulatory body in matters pertaining to unit operations; provided, however, that the authorization by Working Interest Owners of the designation of any such representative shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf;
- (h) The making of proper audits of the accounts of Unit Operator pertaining to operations hereunder; provided that such audit shall:
 - (1) Not be conducted more than once each year or upon the resignation or removal of Unit Operator; and shall
 - (2) Be made at the expense of all Working Interest Owners other than the Working Interest Owner designated as Unit Operator; and
 - (3) Be upon not less than thirty (30) days written notice to Unit Operator;

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- (i) Access to the Unit Area at all reasonable times to inspect the operations hereunder and all wells and related equipment pertaining thereto;
- (j) The right to receive from the Unit Operator upon written request copies of all reports to any Government Agency, reports of crude oil runs and analyses, reports of gas and all other data pertinent to unit operations. The cost of gathering and transmitting data not ordinarily furnished by the Unit Operator to all Working Interest Owners shall be charged solely to Working Interest Owners receiving the data.

2.3 THE OPERATOR: MID-CONTINENT OIL COMPANY is hereby designated as the Unit Operator. Subject to the provisions of this agreement, and the Unit Agreement, and the limitations rightfully given or imposed by Working Interest Owners, the Unit Operator shall have the exclusive right and be obligated to carry and operate the Unitized Lands for the production of Unitized Substances.

2.4 POWERS OF THE UNIT OPERATOR: To the extent necessary or convenient to the conduct of operations hereunder, and subject to the limitations herein, the Working Interest Owners hereby delegate to Unit Operator all rights, powers and privileges which are conferred upon them by virtue of any contract or agreement in effect in the Unit Area or by virtue of the Unit Agreement.

- (a) Unit Operator shall have the right and authority to employ such personnel as it may deem necessary and to assign such personnel to any operations in the Unit Area; provided, however, that Unit Operator shall freely permit the Working Interest Owners and keep the same advised of all assignments in connection with such personnel. Unit Operator, in the exercise of its powers, shall have the right to remove any personnel who are not satisfactory to Working Interest Owners. The Unit Operator shall be responsible for the removal of any personnel who are not satisfactory to Working Interest Owners.

2.5 UNIT OPERATOR'S OBLIGATIONS: Unit Operator shall be responsible for the removal of any personnel who are not satisfactory to Working Interest Owners.

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- (1) The subsequent joining of any Working Interest Owner or Royalty Owner in this agreement or in the Unit Agreement as provided for in the Unit Agreement, and the determination and revision of the percentage participation to be assigned to any party committed to this agreement and the Unit Agreement after the effective date thereof, as provided in the Unit Agreement;
- (j) The preparation of any revision of Exhibit "B" to the Unit Agreement;
- (k) The taking of periodic inventory under the terms of Exhibit "D" hereof;
- (l) Any direct charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit "D" hereof;
- (m) The appointment or designation of the purposes of committees or subcommittees necessary for the study of any problem in connection with unit operations;
- (n) The removal of Unit Operator and the selection of a successor;
- (o) The enlargement or contraction of the Unit Area and the enlargement of the Participating Area;
- (p) The adjustment and readjustment of investments;
- (q) Any revision or amendment of the overhead rates or any other provision in the "Accounting Procedure" attached hereto as Exhibit "E";
- (r) Selling or otherwise disposing of any such portion of a well, a leasehold, the interest in a leasehold or any equipment relating to the Unit Area or operations;
- (s) The termination of the Unit Agreement.

2.6 APPROVAL ACTION REQUIRED ON ALL MATTERS: Any action, determination

or action or action has been approved by the Working Interest Owners pursuant to Section III shall be binding upon each and every Working Interest Owner. However, any such owner may not appeal or have voted in the Unit Agreement.

2.7 DISTRIBUTION OF UNIT PROCEEDS: The Unit Operator shall

generally receive or receive all net proceeds, gross and gross proceeds except as expressly provided in this agreement and the Unit Agreement.

2.8 UNIT OPERATOR'S OBLIGATIONS: Unit Operator shall be responsible for the removal of any personnel who are not satisfactory to Working Interest Owners.

2.9 UNIT OPERATOR'S OBLIGATIONS: Unit Operator shall be responsible for the removal of any personnel who are not satisfactory to Working Interest Owners.



- (c) Determine the number of employees used by Unit Operator in conducting operations hereunder, the selection of such employees, the hours of labor and the compensation for services to be paid any and all such employees. Such employees shall be the employees of Unit Operator.
- (d) Keep true and correct books, accounts and records of its operations hereunder.
- (e) Furnish to each Working Interest Owner periodic reports of the development and operations of the Unit Area.
- (f) Make all reports to governmental authorities that it has the duty to make as Unit Operator.
- (g) Furnish to each Working Interest Owner, upon written request, a copy of the log of and copies of engineering and geological data pertaining to wells drilled by Unit Operator.
- (h) Settle any single damage claim not involving an expenditure in excess of Two Thousand (\$2,000.00) Dollars provided such payment is a complete settlement of such claim.
- (i) Take such steps and incur such expenses as are required in case of an emergency as provided in Subsection 2.2 (d) hereof.

SECTION III EXPENSES OF SUPERVISION BY WORKING INTEREST OWNERS

3.1 **DESIGNATION OF REPRESENTATIVE.** Each Working Interest Owner shall designate in writing the name and address of a representative who will be authorized to act for such Working Interest Owner in all matters arising under this Agreement or the Unit Agreement. Each Working Interest Owner may likewise designate an alternate to act for it in the absence of its designated representative. Such representative or alternate may be changed from time to time by notice in writing to the Unit Operator.

3.2 **MEETINGS.** All meetings of Working Interest Owners for the purpose of considering and acting upon any matter pertaining to the development and operation of the Unit Area which requires the consent and approval of such Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total participating interest of not less than Ten (10%) per cent. No meeting shall be called on

- (a) Working Interest Owners may decide any matter by vote taken by letter or telegram, provided no section on the matter is called as provided in Subsection 3.2 within "days" after such proposal is deposited to the Working Interest Owners. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

SECTION IV BASIS OF PARTICIPATION

4.1 **PARTICIPATING INTERESTS.** The "Participating Interest" of each Working Interest Owner hereunder is equal to the sum total of the percentage participations assigned to tracts in the Participating Area in which such Working Interest Owner owns an interest; provided that if the working interests in any such tract are owned by two or more Working Interest Owners, the percentage participation assigned to such tract shall be divided among such owners in proportion to their undivided interests; and, provided further that, if the working interests in any tract are divided with respect to separate parties of such tract and owned severally by different parties, the percentage participation assigned to such tract shall, in the absence of a recordable instrument among all such parties fixing the division of ownership, be divided among such parties in proportion to the number of surface acres in

4.2 **UNIT AREA PARTICIPATION RELATION.** The percentage participation assigned to each tract in the Unit Participating Area is set forth in Exhibit A attached to this Agreement and to be retained in the event less than all tracts within the Unit Participating Area are committed to this Agreement and to the Unit Agreement, all in accordance with the provisions of Section VI of the Unit Agreement. The percentage participation shall also be revised in the event the Unit Participating Area is revised as provided in Section II of the Unit Agreement and to the extent necessary to comply with the provisions of Section II of the Unit Agreement. Each Working Interest Owner's percentage participation as set forth and as amended by the Unit Agreement shall govern the Working Interest Owner's share of

any of the above expenses hereunder.

less than Fourteen (14) days advance written or telegraphic notice, with agenda for the meeting included. The Working Interest Owners attending such meeting shall not be prevented from amending items included in the agenda or from including such amended items or from deciding other items presented at such meeting. The representative of the Unit Operator shall be Chairman of each meeting.

3.3 **VOTING PROCEDURE.** The Working Interest Owners shall act upon and determine all matters requiring their consent as follows:

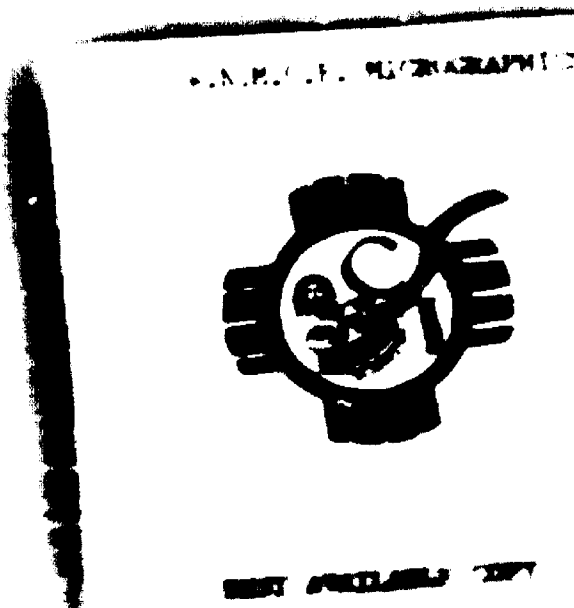
- (a) In voting on any matter each Working Interest Owner shall have a voting interest equal to his or its Participating Interest, determined in accordance with Section IV of this agreement.
- (b) Except as otherwise specifically provided, the consent and approval of the Working Interest Owners under the provisions of the Unit Agreement and this agreement shall be deemed to have been given if given by an affirmative vote of at least three Working Interest Owners owning at least Sixty-five (65%) per cent of Participating Interest; provided, however, that if any Working Interest Owner owns a Participating Interest of Fifty-five (55%) per cent or more, its vote or failure to vote shall not serve to disapprove any matter approved by vote of Eighty (80%) per cent or more of the remaining Participating Interest; and provided, further, that any project involving a total expenditure in excess of \$100,000 or any determination with respect to the extension of the Unit Area or for the drilling of any well outside the Participating Area pursuant to Subsection 6.5, an affirmative vote of at least Eighty (80%) per cent of Participating Interest shall be required for approval except that should one Working Interest Owner own more than Twenty (20%) per cent voting interest, its vote or failure to vote shall not serve to disapprove a matter unless supported by the vote of one or more other Working Interest Owners.
- (c) Any Working Interest Owner not represented at a meeting may vote on any item included in the agenda of the meeting by letter or telegram addressed to the Chairman of the meeting provided such vote is received prior to the conclusion of such item to vote. Such vote shall not be counted with respect to any item in the agenda which is amended at the meeting.

4.3 **APPORTIONMENT OF COSTS AND BENEFITS.** Except as herein otherwise expressly provided, all costs, expenses and liabilities accruing or resulting from exploration, development, operation and maintenance of the Unitized Lands shall be borne by the Working Interest Owners in proportion to their respective Participating Interests at the time such costs, expenses and liabilities are incurred and all Unitized Substances produced hereunder and other benefits accruing hereunder shall be owned and shared by the Working Interest Owners in proportion to their respective Participating Interests at the time such production is obtained and benefits accrue.

SECTION V INITIAL ADJUSTMENT OF INTERESTS

5.1 **EQUIPMENT AND FACILITIES NOT ATTACHED TO REALTY.** Each of the parties hereto has heretofore placed and used on its tract or tracts committed to the Unit Agreement and this agreement, various well and lease equipment and other property, equipment, and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Lands as now or hereafter constituted. Each of the parties hereto considers any and all such equipment to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by said agreements, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes. The provisions of this Section V and also the provisions of Section VI constitute a separate agreement and understanding with respect to any and all lease and operate the equipment and other personal property heretofore or hereafter placed on the land in the Unit Area and to the extent necessary to comply with separate agreements, leases and operating agreements now or hereafter entered into by the parties hereto. The Working Interest Owners and production effected on the Unit Agreement and this agreement shall be governed by the provisions of the Unit Agreement and this agreement.

5.2 **UNIT AREA PARTICIPATION RELATION.** The percentage participation assigned to each tract in the Unit Participating Area is set forth in Exhibit A attached to this Agreement and to be retained in the event less than all tracts within the Unit Participating Area are committed to this Agreement and to the Unit Agreement, all in accordance with the provisions of Section VI of the Unit Agreement. The percentage participation shall also be revised in the event the Unit Participating Area is revised as provided in Section II of the Unit Agreement and to the extent necessary to comply with the provisions of Section II of the Unit Agreement. Each Working Interest Owner's percentage participation as set forth and as amended by the Unit Agreement shall govern the Working Interest Owner's share of



- (b) The tubing in each such well, together with the wellhead connections thereon, and all other lease and operating equipment used in the operation of such wells which Working Interest Owners determine to be necessary or desirable for conducting unit operations.

provisions of Exhibit "A" the personal property so taken over. Such inventory shall be limited to nonexplosive material (except casing) as defined by the "Material Classification Manual", 1966 Print, prepared by the Petroleum

is credited with the value of the interest in all personal property, consisting of the taxable estate, taken over by that Operator under Subsection 44(1), and charged with an amount equal to that obtained by multiplying the total

shall be paid, all in the manner to set forth in Section 7 hereof, pertaining to the initial adjustment of investments, except that a separate attachment for intangibles shall also be made as provided in subsection (d).

Since the enterprise shall receive relief for the intangible cost of drilling, completing and equipping all wells drilled as required to the effective date hereof, it is hereby agreed that the enterprise shall not be liable for the cost of drilling, completing and equipping any wells drilled as required to the effective date hereof, which are capable of producing oil and gas within the field.

5.5 GENERAL FACILITIES. The acquisition of warehouses, warehouse stocks, leasehouses, camps, facility systems and office buildings necessary

for operations hereunder shall be by negotiation by and between the owners thereof and Unit Operator, subject to the approval of Working Interest Owners. There shall be no adjustment for lease roads or appurtenances thereto.

in all personal property and facilities taken over or otherwise acquired by
 this Operator pursuant to this agreement equal to its Participating Interests.
 Personal property and facilities not taken over by this Operator shall be

ENCLOSURE OF PARAGRAPH 20

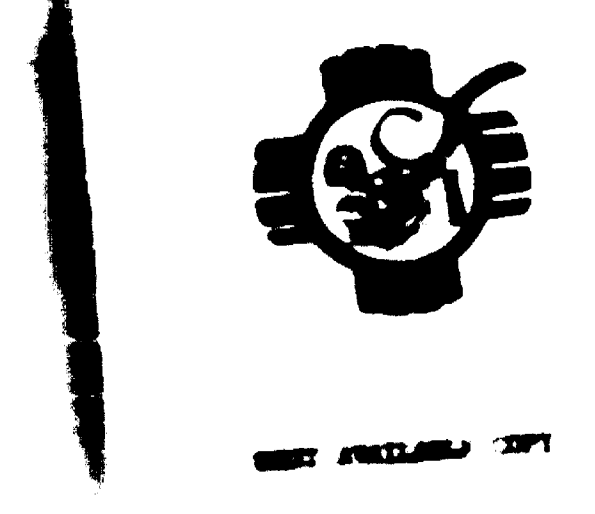
investment adjustments between the Working Interest Owners in the enlarged Participating Area who are parties hereto and the Working Interest Owners in the former Participating Area who are parties hereto to the end that costs and

OF CHARGE TO WORKING INTEREST (40)

development and operation of the Unit Area. Working Interest Owners shall reimburse Unit Operator for all such costs and expenses in proportion to their respective Participating Interests computed in a similar with Section

expenses for the remainder of the calendar year and, before the first day of each calendar quarter shall prepare a budget for each quarter and expenses for the ensuing calendar year. The budget shall be submitted to the

of this note and express its intention to bring to the attention of the
the fact that the Government of the United States is not responsible for
the information contained in this note and for the consequences of its use.



proportionate part of such estimate. Adjustment between estimates and the actual costs shall be made by Unit Operator at the close of each calendar month, and the accounts of the Working Interest Owners shall be adjusted accordingly.

7.3 COMINGLING OF FUNDS. No funds received by Unit Operator under this agreement need be segregated by Unit Operator or maintained by it as a joint fund, but may be comingled with its own funds.

7.4 LIEN OF UNIT OPERATOR. Each Working Interest Owner grants to Unit Operator a lien upon such Working Interest Owner's leasehold and other mineral interests in each tract, its interest in all jointly owned materials, equipment, and other property and its interest in all Unitized Substances, as security for payment for the costs and expenses chargeable to it, together with interest thereon at the rate of Six (6%) per cent per annum. Unit Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by any Working Interest Owner in the payment of costs and expenses chargeable to it, Unit Operator shall have the right to collect and receive from the purchaser or purchasers the proceeds of such Working Interest Owner's share of Unitized Substances up to the amount owing by such Working Interest Owner plus interest, as aforesaid, until paid. Each such purchaser shall be entitled to rely upon Unit Operator's statement concerning the existence and amount of any such default.

SECTION VIII

INDIVIDUAL AND UNIT OPERATIONS

8.1 RIGHT TO OPERATE IN UNUNITIZED FORMATIONS. Any Working Interest Owner now having, or hereafter acquiring, the right to drill for and produce oil, gas, or other minerals, other than Unitized Substances, within the Unit Area shall have the full right to do so notwithstanding this agreement. In exercising said right, however, such Working Interest Owner shall exercise every reasonable precaution to prevent unreasonable interference with operations hereunder. If any Working Interest Owner drills any well into or through the

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8.2 DRILLING WITHIN PARTICIPATING AREA. All wells drilled after the effective date of this agreement within the boundaries of the Participating Area to the East Lower Gallup Sand including injection wells, reworking operations, and recompleting wells and converting wells to injection wells, shall be drilled by Unit Operator for the joint account, at joint risk and expense, and upon authorization of the Working Interest Owners pursuant to Section III.

8.3 WELL OUTSIDE OF PARTICIPATING AREA. The Unit Operator may drill any well within the Unit Area not outside the boundaries of an established Participating Area with the object of completing the same in the East Lower Gallup Sand, such well to herein referred to as an "extension well", for the joint account and at joint risk and expense, upon authorization of the Working Interest Owners obtained pursuant to Section III. Such "extension wells" may also be drilled as provided by Paragraph 8.4.

8.4 EXTENSION WELLS BY LEASE OWNER. In addition to the method provided in Paragraph 8.3 hereof, "extension wells" may be drilled by a single party within the Unit Area as provided in Section 13 of the Unit Agreement, unless the Working Interest Owners within the Participating Area elect to drill the same as provided in Paragraph 8.3 hereof. In the event there is more than one party having an interest in the lease on which the well is desired to be drilled, the same may be drilled on the authority of the majority in interest of the parties to and to said lease. Such wells may be drilled by the Unit Operator at the expense of the parties to the lease, or by any party or parties hereto upon the condition that the well be in accordance with the provisions of Section 13 of the Unit Agreement, the lease and contribution to the same, and the cost and expense of such well shall be the subject of a separate agreement between the parties to the lease.

8.5 UNIT OPERATOR'S OIL AND GAS REPORTS. In the event any Working Interest Owner produces oil or gas after the effective date of this agreement, the Unit Operator shall be entitled to the same as if it were the sole owner of the lease on which such production is made, and shall be entitled to the same as if it were the sole owner of the lease on which such production is made, and shall be entitled to the same as if it were the sole owner of the lease on which such production is made.

Unitized Formation, the Unitized Formation shall be cased or otherwise protected in such a manner that the Unitized Formation and the production of Unitized Substances shall not be adversely affected.

8.2 DUAL COMPLETION. Except for those wells taken over by the Unit which are dually completed on the effective date of this agreement, no other Unit wells may subsequently be dually completed unless and until the approval of the Working Interest Owners is obtained and such completion is made in accordance with the methods prescribed by the Working Interest Owners. Dually completed wells will be handled as follows:

(a) A lessee who contributes a well producing from more than one zone shall be obligated to segregate such zones prior to the well being taken over by the Unit in a manner satisfactory to the Working Interest Owners. The cost of such work to be borne by the lessee contributing such well. If such zones are not segregated prior to the effective date then such work shall be done by the Unit Operator as directed by the Working Interest Owners at the expense of the lessee contributing such well.

(b) Any lessee who wishes to recommission, redrill or workover any dual well taken over by the Unit under this agreement for the production of oil or gas from any formation other than the Lower Gallup Sand, shall submit the plan to the Working Interest Owners for approval, and upon such approval said work shall be performed under the supervision of the Unit Operator at lessee's own risk, cost and expense. The productive capacity or injectivity of the Lower Gallup Sand in any such well prior to such recommissioning, redrilling or reworking shall be ascertained by the Unit Operator prior to the commencement of such work, and the respective lessee so advised in writing. Said lessee shall use all reasonable, practicable and customary methods in order to restore the productivity or injectivity of the Unitized Lower Gallup Sand to the satisfaction of the Working Interest Owners, including the drilling of a rederman well if the hole is lost.

(c) Should the Unit Operator at the direction of the Working Interest Owners do remedial work on the Lower Gallup Sand in any dually completed well, and the cost of such work, in the opinion of the Working Interest Owners, is in excess of what it would have been had the formation other than the Lower Gallup not been producing in such well, the additional cost of such work shall be chargeable to the lessee owning such other zone or formation in such well and such lessee shall be liable for such additional cost upon notification of the amount thereof by the Unit Operator. The words "Additional Cost" as used above shall mean the difference between the normal charges incurred in working over, recommissioning or redrilling a dually completed well and the normal charges for doing the same work on a well which is not dually completed.

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(d) When and if the Working Interest Owners determine that the operation of a well that has been dually completed is interfering with the efficiency of the Unit Plan of Operation, Unit Operator shall advise the lessee operating such zone or formation other than the Lower Gallup Sand that such formation must be shut off or reworked by lessee under the direction of the Unit Operator and to the satisfaction of the Working Interest Owners. The work shall be done at the sole risk, cost and expense of said lessee. If said lessee shall fail or refuse to perform said work as directed by Unit Operator, then said work shall be performed by Unit Operator at the sole risk, cost and expense of said lessee. Said lessee and Unit Operator may agree upon the amount of such costs, but if they fail to agree, then the work shall be done on a competitive basis.

8.3 ACCURATE GAUGE OF TANKS. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed; and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof shall be such tract as having been so included in the payment of the Unitized Substances allocated to such tract.



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event of loss of title to a lease for failure to pay rental, all losses occasioned thereby shall be that of the Working Interest Owners who should have paid the same.

10.2 COMPENSATORY ROYALTIES. Where the Working Interest Owners determine to pay compensatory royalty in lieu of drilling a demanded well such compensatory royalties shall be paid by Unit Operator and charged to the joint account.

SECTION XI

TITLE

11.1 WARRANTY AND INDEMNITY. Each Working Interest Owner represents and warrants that it is the owner of the respective working interests set forth opposite its name in Exhibit "B" of the Unit Agreement and hereby indemnifies and holds the other Working Interest Owners harmless from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of operations hereunder; provided, however, that such indemnity shall be limited to an amount equal to the net value that had been received from the sale of Unitized Substances attributed hereunder to the interest as to which title failed. Each failure of title will be effective, insofar as this agreement is concerned, as of the first day of the calendar month in which such failure is finally determined and there shall be no retro-active adjustment of development and operating expenses, Unitized Substances or the proceeds therefrom as a result of title failure.

11.2 PAYMENT BEFORE UNIT OPERATIONS. The failure of title to any working interest in any tract by reason of unit operations, including non-production from such tract, shall constitute a joint loss.

SECTION XII

LIABILITY, CLAIMS AND SUITS

12.1 INDIVIDUAL LIABILITY. The duties, obligations and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing contained herein shall ever be construed as creating a partnership of any kind, joint venture, or an association or trust between or among the Working Interest Owners.

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12.2 SETTLEMENTS. In the event claim is made against any Working Interest Owner or any Working Interest Owner is sued on account of any matter or thing arising from the development and operation of the Unit Area and over which such Working Interest Owner individually has no control because of the rights, powers, and duties granted by this agreement and the Unit Agreement, said Working Interest Owner shall immediately notify the Unit Operator of such claim or suit. Working Interest Owners shall assume and take over the further handling of such claim or suit and all costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be borne by Working Interest Owners as any other cost or expense of operating the Unitized Lands.

SECTION XIII

WITHDRAWAL OF WORKING INTEREST OWNERS

13.1 WITHDRAWAL. If any Working Interest Owner so desires, it may withdraw from this agreement by conveying, assigning, and transferring without warranty of title, either express or implied, to the other Working Interest Owners who do not desire to withdraw herefrom, all of the former's rights, title and interest in and to its lease or leases, or other operating rights in the Unit Area in so far as said lease, leases or rights pertain to the Unitized Formation, together with the withdrawing Working Interest Owner's interest in all wells, pipe lines, casing, injection equipment, facilities and other personal property used in conjunction with the development and operation of the Unit Area; provided, however, that such transfer, assignment or conveyance shall not relieve said Working Interest Owner from any obligation or liability incurred prior to the date of the execution and delivery thereof. The interest so transferred, assigned and conveyed shall be taken and owned by the other Working Interest Owners in proportion to their respective participating interests. After the execution and delivery of such transfer, assignment or conveyance, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability hereunder and under said Unit Agreement.

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and the right of such Working Interest Owner to any benefits hereunder shall accrue hereunder and under said Unit Agreement shall remain unaffected, that upon delivery of said transfer, assignment or conveyance, the assignee, in the ratio of the respective interests acquired, shall pay to the assignor for its interest in all jointly owned equipment, casing, and other personal property the fair net salvage value thereof, as estimated and fixed by Working Interest Owners.

SECTION XIV

ENVIRONMENTAL

14.1 ENVIRONMENTAL. Unit Operator shall make and file a full and complete environmental impact statement with the proper state and federal authorities or Governmental entities having jurisdiction over the property of said Working Interest Owners within the Unit Area and used in the development and operation of the Unit Area. Any Working Interest Owner dissatisfied with any proposed or actual assessment of the Unit Area or personal property shall have the right to file a written objection with the proper state and federal authorities and shall have the right to file a suit in court to prevent the same. All such objections shall be filed within the time specified and personal property shall be protected and preserved in accordance with the Unit Agreement and the Unit Operator shall be liable for the cost of such protection and preservation.

14.2 ENVIRONMENTAL. Unit Operator shall make and file a full and complete environmental impact statement with the proper state and federal authorities or Governmental entities having jurisdiction over the property of said Working Interest Owners within the Unit Area and used in the development and operation of the Unit Area. Any Working Interest Owner dissatisfied with any proposed or actual assessment of the Unit Area or personal property shall have the right to file a written objection with the proper state and federal authorities and shall have the right to file a suit in court to prevent the same. All such objections shall be filed within the time specified and personal property shall be protected and preserved in accordance with the Unit Agreement and the Unit Operator shall be liable for the cost of such protection and preservation.

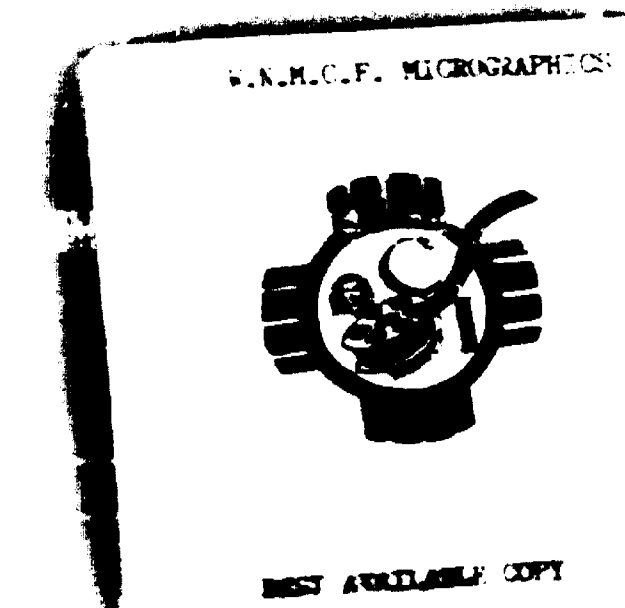
Comprehensive General Liability Insurance with bodily injury limits of not less than Two Hundred Fifty Thousand (\$250,000.00) dollars per person and Five Hundred Thousand (\$500,000.00) dollars per accident and property damage coverage with limits of not less than Fifty Thousand (\$50,000.00) dollars per accident and Two Hundred Fifty Thousand (\$250,000.00) dollars aggregate;

4. Comprehensive Automobile Liability Insurance with bodily injury limits of not less than Two Hundred Fifty Thousand (\$250,000.00) dollars per person and Five Hundred Thousand (\$500,000.00) dollars per accident and property damage coverage with limits of not less than Fifty Thousand (\$50,000.00) dollars per accident and Two Hundred Fifty Thousand (\$250,000.00) dollars aggregate; and

Where Unit Operator agrees to be exclusively insured under the above policies, the Unit Operator shall be liable for the full amount under these coverages.

Previously said to be insurance shall be replaced by a new Unit Operator and any fire or extended coverage insurance for the property under the above policies shall require the Unit Operator to obtain and maintain adequate insurance coverage for the property and equipment and the Unit Operator shall be liable for the full amount under these coverages.

14.3 ENVIRONMENTAL. Unit Operator shall make and file a full and complete environmental impact statement with the proper state and federal authorities or Governmental entities having jurisdiction over the property of said Working Interest Owners within the Unit Area and used in the development and operation of the Unit Area. Any Working Interest Owner dissatisfied with any proposed or actual assessment of the Unit Area or personal property shall have the right to file a written objection with the proper state and federal authorities and shall have the right to file a suit in court to prevent the same. All such objections shall be filed within the time specified and personal property shall be protected and preserved in accordance with the Unit Agreement and the Unit Operator shall be liable for the cost of such protection and preservation.



14.4 **FORCE MAJEURE.** In the event any party hereto is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this contract other than the obligation to make payment of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of Force Majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by Force Majeure, shall be suspended during the continuance of any liability so caused, but for no longer period and the cause of the Force Majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean any cause not reasonably within the control of the party claiming suspension.

14.5 **NOTICES.** All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Section III hereof.

SECTION XV EFFECTIVE DATE AND TERM

15.1 **DATE OF UNIT AGREEMENT.** Subject to the provisions of Subsection 15.2, this agreement shall be binding on all parties who execute it regardless of the joinder or non-joinder of any other party; provided, however, this agreement shall not become effective until the effective date of the Unit Agreement and the term hereof shall be the same as the term of said Unit Agreement and thereafter until all unit wells have been abandoned and plugged over to Working Interest Owners in accordance with Section XVI hereof, and all personal and real property acquired for the joint account of the Working Interest Owners has been disposed of by Unit Operator in accordance with instructions of Working Interest Owners.

(d) Working Interest Owners shall share the cost of salvaging, liquidation or distribution of assets and properties used in the development and operation of the Unit Area in proportion to their respective participating interests.

SECTION XVII COUNTERPART SIGNATURE

17.1 **EXECUTION BY SEPARATE COUNTERPARTS OR PARTICIPATIONS.** This agreement may be executed in any number of counterparts and each counterpart so executed shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument; or may be ratified by a separate instrument in writing referring to this agreement. Each such ratification shall have the force and effect of an executed counterpart and of adopting by reference all provisions hereof.

SECTION XVIII COUNTERPARTS AND ATTACHMENTS

18.1 **COUNTERPARTS AND ATTACHMENTS.** The terms and provisions hereof shall be deemed to include all the lands and interests therein and shall be binding upon and inure to the benefit of the heirs, assigns, executors and assigns of the parties hereto.

IN WITNESS WHEREOF, this agreement is executed as of the date first above written.

UNIT OPERATOR AND WORKING INTEREST OWNERS

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UNIT OPERATOR AND WORKING INTEREST OWNERS

15.2 **EXCEPTION.** Unit Operator shall, prior to the final submission of the Unit Agreement to the Director, Commissioner, and the Indian Commissioner (or their duly authorized representatives) for final approval, submit to the Working Interest Owners a report as to the number and the percentage in interest of the Working Interest Owners and Royalty Owners who have executed the Unit Agreement. The Working Interest Owners shall determine by the affirmative vote of parties owning participating interests of at least seventy-five (75%) per cent, determined on the basis of the percentage participations set forth in Exhibit "C" of the Unit Agreement, whether or not submission of the Unit Agreement to the Director, Commissioner and the Indian Commissioner for final approval is justified. If an affirmative vote is obtained, all parties who have joined herein shall be bound hereby and shall remain a party hereto regardless of the joinder or non-joinder of any other owner who might be entitled to vote herein, but in the event of a negative vote, no party hereto shall thereafter be bound by the terms of either the Unit Agreement or this agreement.

SECTION XIX ABANDONMENT OF OPERATIONS

19.1 **TERMINATION.** Upon termination of the Unit Agreement the following will apply:

1. Liquidation of all oil and gas and other assets owned by the Unit Area shall be made in accordance with the provisions of the Unit Agreement.
2. The Working Interest Owners shall be responsible for the cost of salvaging, liquidation or distribution of assets and properties used in the development and operation of the Unit Area in proportion to their respective participating interests.
3. The Working Interest Owners shall be responsible for the cost of salvaging, liquidation or distribution of assets and properties used in the development and operation of the Unit Area in proportion to their respective participating interests.

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

By _____ Vice President

Address _____

ATTENT: _____

Secretary _____

Date of Signature _____

PHILLIPS PETROLEUM COMPANY

By _____ Vice President

Address _____

ATTENT: _____

Secretary _____

Date of Signature _____

FAR AMERICAN PETROLEUM CORPORATION

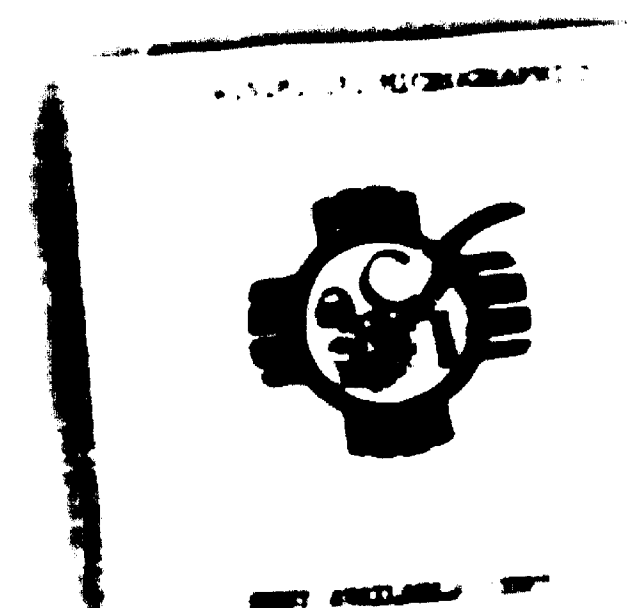
By _____ Vice President

Address _____

ATTENT: _____

Secretary _____

Date of Signature _____



SOUTHERN UNION GAS COMPANY
By _____ Vice President

address

ATTEST: _____
Secretary
Date of Signature: _____

EL PASO NATURAL GAS PRODUCTS COMPANY
By _____ Vice President

address

ATTEST: _____
Secretary
Date of Signature: _____

SHELL OIL COMPANY
By _____ Vice President

address

ATTEST: _____
Secretary
Date of Signature: _____

VAL S. REESE AND ASSOC., INC.
By _____ Vice President

address

ATTEST: _____
Secretary
Date of Signature: _____

STATE OF OKLAHOMA }
COUNTY OF TULSA } SS.
On this _____ day of _____, 19____, before me appeared
known, who, being by me duly sworn, did say that he is Vice President of SOUTHERN
UNION GAS COMPANY, a Delaware corporation, and that said instrument was
signed and sealed in behalf of said corporation by authority of its Board of
Directors and said
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.
On this _____ day of _____, 19____, before me appeared
known, who, being by me duly sworn, did say that he is Vice President of
AMERICAN PETROLEUM CORPORATION, a Delaware corporation, and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board
of Directors and said
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.
On this _____ day of _____, 19____, before me appeared
known, who, being by me duly sworn, did say that he is Vice President of
PHILLIPS PETROLEUM COMPANY, a Delaware corporation, and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board
of Directors and said
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.
On this _____ day of _____, 19____, before me appeared
known, who, being by me duly sworn, did say that he is Vice President of
PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of Directors and said
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.
On this _____ day of _____, 19____, before me appeared
known, who, being by me duly sworn, did say that he is Vice President of
SOUTHERN UNION GAS COMPANY, a Delaware corporation, and that said
instrument was signed and sealed in behalf of said corporation by authority
of its Board of Directors and said
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.
On this _____ day of _____, 19____, before me appeared
known, who, being by me duly sworn, did say that he is Vice President of
EL PASO NATURAL GAS PRODUCTS COMPANY, a Delaware corporation, and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of Directors and said
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public



[illegible]

The Applicant shall be bound by the following terms and conditions:

1. PURPOSE OF LEASE EQUIPMENT AND MATERIAL The equipment and material shall be used for the purpose of the project described in the contract. The Applicant shall be responsible for the proper use and maintenance of the equipment and material.

2. RETURN OF EQUIPMENT AND MATERIAL The Applicant shall return the equipment and material to the lessor at the end of the lease term. The equipment and material shall be returned in the same condition as when it was received, except for normal wear and tear.

3. MAINTENANCE AND REPAIRS The Applicant shall be responsible for the maintenance and repairs of the equipment and material. The Applicant shall be responsible for the cost of any repairs or maintenance.

4. LOSS OR DAMAGE The Applicant shall be responsible for the loss or damage of the equipment and material. The Applicant shall be responsible for the cost of any replacement or repair.

5. INSURANCE The Applicant shall be responsible for the insurance of the equipment and material. The Applicant shall be responsible for the cost of any insurance.

6. ASSIGNMENT The Applicant shall not assign the lease of the equipment and material to any other party without the written consent of the lessor.

7. ENTIRE AGREEMENT This contract shall be the entire agreement between the Applicant and the lessor. No other terms or conditions shall apply.

8. SIGNATURES The Applicant shall sign and return this contract to the lessor. The lessor shall sign and return this contract to the Applicant.

1. **New Prior Notation**
New prior notation in the foregoing paragraphs shall have the same meaning and application as the word shown in Section III, "Definitions of Terms."

2. **New Material**

6. **Other Used Material**
 (Indicate quantity and value)

6. **Junk**
Junk (including "E"), being obsolete and scrap material at preceding prices.

As reasonable reference, inventories shall be taken by operation of the press against material, which shall include all such material as is ordinarily considered susceptible to operation of said gas properties.

Whereas reason of reference to take inventories shall be given by operation of at least thirty (30) days before any inventories are taken.

Operator may be represented when any inventories are taken.

Failure of Non-Operation to be taken.

3. **Special Inventories**
Special inventories may be taken, at the expense of the purchaser, whenever it may be the duty of the owner, either

the seller and the purchase shall be represented and shall be governed by the necessary no return.

My commission expires: _____
Notary Public

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of WAL R. REESE AND ASSOC., INC.

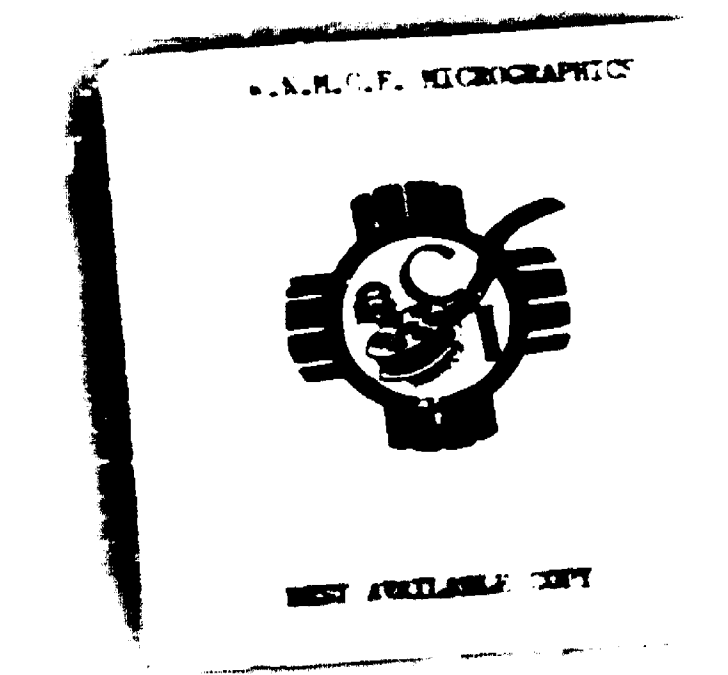
My commission expires: _____
Notary Public

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is Vice President of _____

My commission expires: _____
Notary Public

known, who, being by me duly sworn, did say that he is Vice President of

My commission expires: _____
Notary Public

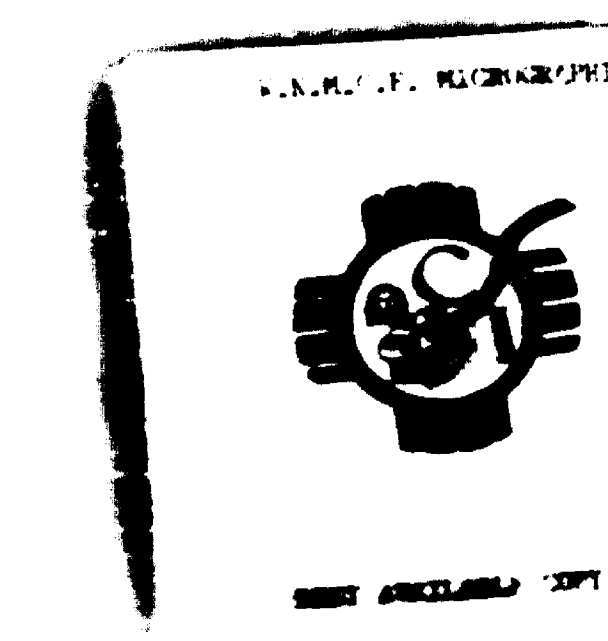


UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL BIST. LOWER GALLUP BAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

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SUNNY MOUNTAIN OIL COMPANY
EXHIBIT NO. 2 CASE NO. 156



UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL DIST. LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL DIST. LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
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(3)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL DIST. LOWER GALLUP SAND UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT entered into as of the _____ day of _____, 1959, by and between the parties undersigned, ratifying, or consenting hereto, and herein referred to as the "parties hereto".

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the Unit Area subject to this agreement, and
WHEREAS, the Mineral Leasing Act of February 22, 1946, as amended, 30 U.S.C. Sec. 181 et seq., authorizes Federal, State and their representatives to enter into agreements with landowners, leaseholders and their representatives to develop and operate under a cooperative or unit plan of development or operation of any oil or gas well, field, or other area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and
WHEREAS, the Commissioner of the State of New Mexico is authorized by the Act of February 22, 1946, as amended, 30 U.S.C. Sec. 181 et seq., to execute and deliver on behalf of the State of New Mexico any agreement or contract approved by the Secretary of the Interior;



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. 7, Art. 11, Sec. 11, N. M. Statutes 1953 Annotations) 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 rules and regulations governing the leasing of restricted allotted and tribal Indian lands for oil and gas except allotments made to the members of the Five Civilized Tribes and Caste Indians in Oklahoma, promulgated by the Secretary of the Interior (25 C.F.R. 172.24(c)) under and pursuant to the Allotted Land Leasing Act of March 3, 1909, 35 Stat. 783, 25 U.S.C. Sec. 396 and the Tribal Land Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U.S.C. Sec. 396a et seq., and the oil and gas lease covering said allotted and tribal Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation; and

WHEREAS, the 61 Conservation Commission of the State of New Mexico (hereinafter referred to as "the Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Central Bisti Lower Gallup Sand 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 enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and

Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor and copies thereof shall be filed with the Commissioner and the Oil Conservation Commission of the State of New Mexico. The Commissioner of Indian Affairs shall hereafter be referred to as the "Indian Commissioner".

The above described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area, whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, with concurrence of at least 65% of the voting interest or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", after preliminary concurrence by the Director, or on demand of the Commissioner and Commission, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

(c) Upon expiration of the 30-day period provided in the preceding item (b), heretofore, Unit Operator SHALL file with the Supervisor, Commission, and the Commission evidence of reading of the notice of expansion or contraction and a copy of any objection thereto, have same filed with the Unit Operator, together with a recommendation in sufficient manner, for approval of an expansion or contraction and with appropriate findings.

operation of the Bisti Lower Gallup Sand 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 Unit Area defined below and agree severally among themselves as follows:

1. MINERAL ACT AND REGULATIONS. The Acts of March 3, 1909, May 11, 1936 and the Mineral Leasing Act of February 25, 1960, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal and Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal and non-Indian lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal and non-Indian land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and is recognized as constituting the Central East Lower Gallup Sand Unit Area hereinafter referred to as "Unit Area", containing 7388.46 acres, more or less.

Exhibit "A" above, in addition to the boundary of the Unit Area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule according to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in land 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 in said map or schedule as owned by such party.

Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the oil and

(c) After the consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, President per and the Commission become effective as of the date prescribed in the notice thereof.

[illegible]

If conditions warrant extension of the 7-year period specified in this Subsection 2(e), a single extension of not to exceed 1 year may be accomplished by consent of the owners of 90% of the current unitized working interest and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States or of the State of New Mexico), on a total nonparticipating-acreage basis, respectively, with approval of the Director and Commissioner, provided such extension is submitted to the Director and Commissioner not later than 60 days prior to the expiration of the said 7-year period.

Any extension of the Unit Area pursuant to this section which embraces lands theretofore eliminated pursuant to this Subsection 2(e) shall not be considered automatic commitment or reconveyance of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove described lands committed to this agreement, as to the Bluff Lower Gallup Sand, are unitized under the terms of this agreement and are herein called "unitized substances", and said lands shall constitute said lands herein referred to as "unitized lands" or "lands subject to this agreement".

The Bluff Lower Gallup Sand shall be construed to mean the sand and reservoir encountered in the drilling by Amerasia Petroleum Corporation of its John White #1 well between the depths of 4739 feet and 4872 feet as shown by the Schlumberger electric log of said well, which well is located in the NE 1/4 of SW 1/4 Section 16, T. 20 N., R. 12 W., Gas Line County, New Mexico.

4. UNIT OPERATOR. Sunray Mid-Continent Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such interest is owned by it.

Unit Operator shall have the right to remove or replace any working interest owner or owners in unitized substances at any time upon the participation or removal of such owner or owners from the unit. Unit Operator shall deliver possession of the unitized substances to the new duly qualified successor Unit Operator to the owner thereof if no such new Unit Operator is elected, then use for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and apparatus used for the operability of any wells.

5. REMOVAL OF UNIT OPERATOR. Whenever the Unit Operator shall tender resignation or removal, the Unit Operator shall be removed as hereinabove provided, the working interest owners shall have affirmative vote of at least Sixty-Five (65%) per cent of their unitized interests, based on the percentage participation set forth in the participation agreement, to select a successor Unit Operator. If the Unit Operator, the owner of a working interest owner on a working interest of more than Fifty-Five (55%) per cent, the vote of said party shall not be sufficient to remove the Unit Operator, the Unit Operator approved by Fifty-Five (55%) per cent or more of the unitized interests of the remaining working interest owners shall be removed. The Unit Operator shall not vote to remove the Unit Operator. The Unit Operator shall not be removed in a vote concerning the removal of the Unit Operator. The removal shall not become effective until a new Unit Operator is selected and accepted by the duties and personal obligations of the Unit Operator. The Unit Operator shall have been approved by the Director and Commissioner.

6. REMOVAL OF UNIT OPERATOR. Whenever the Unit Operator shall tender resignation or removal, the Unit Operator shall be removed as hereinabove provided, the working interest owners shall have affirmative vote of at least Sixty-Five (65%) per cent of their unitized interests, based on the percentage participation set forth in the participation agreement, to select a successor Unit Operator. If the Unit Operator, the owner of a working interest owner on a working interest of more than Fifty-Five (55%) per cent, the vote of said party shall not be sufficient to remove the Unit Operator, the Unit Operator approved by Fifty-Five (55%) per cent or more of the unitized interests of the remaining working interest owners shall be removed. The Unit Operator shall not vote to remove the Unit Operator. The removal shall not become effective until a new Unit Operator is selected and accepted by the duties and personal obligations of the Unit Operator. The Unit Operator shall have been approved by the Director and Commissioner.

The term "working interest owner", as used herein shall mean the owner of such an interest committed hereto as may be obligated to bear or share a portion of all costs and expenses of drilling, developing, producing and operating the unitized land under this agreement and the Unit Operating Agreement.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

In all such instances of resignation or removal, until a successor Unit Operator is selected and approved, as hereinabove provided, the working interest owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than 30 days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

Interest owners and the Unit Operator, as provided in this section whether one or more, are herein referred to as the "Unit Operating Agreement". Such Unit Operating Agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by the Unit Operator and the working interest owners. However, no such Unit Operating Agreement shall be deemed either to modify 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 inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor and one copy with the Commissioner.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto including surface rights, which are necessary or convenient for the prospecting for, producing, storing, allocating, and distributing the unitized substances, are hereby granted and 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, lease, royalty interest, working interest, operating agreement or communication agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DISCOVERY. Inasmuch as wells capable of producing unitized substances in paying quantities (in which quantities sufficient to support the



cost of drilling and producing operations, with a reasonable profit) from the Bisti Lower Gallup Sand have already been drilled, tested and completed within the Unit Area and production in paying quantities is currently being taken therefrom, no initial test well is required under the terms of this Unit Agreement.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. It is agreed that the unitized land will be operated under a plan of pressure maintenance or some form of secondary recovery in order to effect the greatest recovery of unitized substances, prevent waste and conserve natural resources. The Unit Operator is authorized to inject gas, oil, liquefied petroleum gas, brine, water or a combination of said substances and any one or more of said substances, irrespective of whether produced from the Bisti Lower Gallup Sand, into the Bisti Lower Gallup Sand through any well or wells now or hereafter completed therein; provided, however, that the above operations may be conducted by Unit Operator only in accordance with a plan of operation approved by the Supervisor, Commissioner and the Commission. The parties hereto hereby grant to the Unit Operator the use of brine or water or both from any formation within the Unit Area for injecting into the Bisti Lower Gallup Sand.

On or before the effective date of this agreement, Unit Operator shall submit for the approval of the Supervisor, Commissioner and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, Commissioner and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time, before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, Commissioner and the Commission a plan or plans for an additional specified period for the development and operation of the unitized land. Said initial plan and all revisions thereof shall be as complete and adequate as the Supervisor and Commission may determine to be necessary for timely operations and development consistent herewith. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence

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"Revised Exhibit 'C'" and considered for all purposes as a part of this agreement. Such Revised Exhibit "C" shall set forth opposite each such combined tract within the initial participating area a revised percentage participation therefor, which shall be calculated by using the same tract factors and formula which were used to arrive at the percentage participation of each tract as set out in Exhibit "C" attached hereto but applying the same only to the combined tracts. Such Revised Exhibit "C", unless disapproved by the Director, Commissioner or the Commission within 30 days after filing, shall supersede, effective as of the effective date hereof, the percentage participations set forth in Exhibit "C" attached hereto until a further revision (or revisions) thereof is filed with and approved by the Director, Commissioner and Commission as hereinafter provided. The percentage participation for each tract as shown on Exhibit "C" attached hereto, or as may be shown on the Revised Exhibit "C" as above provided, is calculated and determined in accordance with the tract factors and formula set forth in Section 12 hereof and shall govern the allocation of production on and after the effective date of this Unit Agreement until the participating area is revised and the revised percentage participations are filed with and approved by the Director, Commissioner and the Commission as hereinafter provided.

The participating area established hereby as the initial participating area may be revised from time to time, subject to approval by the Director, Commissioner and the Commission, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then requested as reasonably proved to be productive in paying quantities or determined to be essential for unit operations and the participating percentage for each tract in the participating area as contained shall be subject to the approval of the Director, Commissioner and Commission in accordance with the same formula and factors as were used to arrive at the percentage participation of each tract as set forth in Exhibit "C" hereto, provided, however, that notwithstanding anything herein which may be construed to the contrary, in any revision of the participating area the relative production

shall be exercised in complying with the obligations of the approved plan of development and operation. After the effective date hereof, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor, Commissioner and the Commission shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION. The following described land is recognized as reasonably proved to be productive of unitized substances and is hereby designated and fixed as the "initial participating area":

New Mexico Principal Meridian:

Township 26 North, Range 12 West, N.M.P.M.

Section 31: Lot 4 and SW/4 SW/4 and S/2 SW/4
Section 32: S/2 SW/4

Township 26 North, Range 12 West, N.M.P.M.

Section 3: SW/4
Section 4: S/2
Section 5: Lots 3 and 4 and S/2 NW/4 and S/2 NE/4 and S/2
Section 6: All
Section 7: Lots 1 and 2 and S/2 NW/4 and NE/4 and S/2 SW/4
Section 8: All
Section 9: All
Section 10: NW/4
Section 16: All
Section 17: S/2 S/2 and SW/4 NE/4 and NE/4 SE/4
Section 20: S/2 NW/4,
containing 4,713.07 acres, more or less.

In Exhibit "C", attached hereto and made a part hereof, there are listed and numbered the various tracts within the initial participating area, and set opposite each tract is a figure which represents the percentage participation to which such tract shall be entitled if all of said tracts are committed hereto as of the effective date of this agreement. In the event less than all tracts within the initial participating area are committed hereto as of the effective date of this agreement, Unit Operator, as soon as practicable after the effective date of this agreement shall file with the Supervisor, Commissioner and the Commission a schedule of those tracts within the initial participating area committed hereto as of said effective date, which said schedule shall be designated

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participations of the respective tracts which were participating prior to such revision shall remain in the same ratio one to another. The effective date of any revision of the participating area shall be the first of the month following the date on which the revision of the participating area is approved by the Director, Commissioner and the Commission, provided that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director, Commissioner and the Commission. No land shall be excluded from a participating area on account of depletion of the unitized substances. It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities or determined to be essential for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director, Commissioner and the Commission as to the proper definition or redefinition of a participating area, the portion of all payments effected thereby may be apportioned in a manner mutually acceptable to the owners of working interests, except royalties due (a) the United States and Indiana, and (b) the State of New Mexico, which shall be determined by the Supervisor and the Commissioner, respectively, to be held as unearned money until a participating area as revised is finally approved and then applied as earned or returned in accordance with determination of the sum due as Federal, Indian, and State royalty on the basis of such approved participating area.

Whenever it is determined subject to the approval of the Supervisor as to wells on Federal and Indian land and the Commissioner as to wells on State land, that a well drilled under this agreement is not capable of producing in paying quantities or determined not to be essential for unit operations and inclusion of the land on which it is situated in a participating area is unnecessary, production from such well shall, for the purpose of settlement among all parties other than working interest owners, be allocated to the lands

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on which the well is located or beyond the well is not within a participating area. Settlement for working interest benefits for such a well shall be made as provided in the Unit Operating Agreement.

If, subsequent to the effective date of this agreement, any additional tract within the initial participating area becomes committed hereto under the provisions of Section 28 hereof, or any committed tract within the initial participating area is excluded herefrom under the provisions of Section 27, Unit Operator shall revise Exhibit "D" to show the new percentage participations of the committed tracts in the initial participating area, which revised exhibit shall, upon its filing and approval by the Director, Commissioner and the Commission, supersede as of its effective date, the last previously effective Exhibit "D". In any such revision of Exhibit "D" the revised percentage participations of the respective tracts which were committed hereto prior to such revision shall remain in the same ratio one to another.

12. ALLOCATION OF PRODUCTION. For the purpose of determining any and all benefits accruing under this agreement each tract committed hereto within the participating area shall have allocated to it a proportion, equal to its percentage participation of all unitized substances produced from the unitized land (except any part thereof used in conformity with good operating practices within the Unit Area for drilling, operating, camp and other production or development purposes, for pressure maintenance or secondary recovery operations in accordance with a plan of operation approved by the Supervisor, Commissioner and the Commission, or unconditionally lost). The amount of unitized substances allocated to each tract in the participating area shall be deemed to be produced from such tract. It is hereby agreed that production of unitized substances from any part of the participating area shall be allocated as provided herein regardless of whether oil or gas is being produced from any particular tract committed hereto. If the working interests or the royalty interests in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a revocable instrument among all owners fixing

It is further agreed that the percentage participation of each tract in the Participating Area, as set forth in Section 11 hereof, was calculated and determined, and any revision thereof shall be calculated and determined, by application of the foregoing formula in accordance with the following factors, definitions and procedure:

A. The original stock tank oil in place in each tract in the Participating Area and in the Participating Area as a whole, based on microlog survey, were determined as follows:

- (1) The acre feet of productive sand in each of the three benches or intervals of the Blati Lower Gully sand in each tract in the Participating Area was determined from net logporosity maps constructed for each of the said respective three benches based on microlog survey made in accordance with acceptable geologic and engineering practices and utilizing accurate survey data of the surface area of each tract in the Participating Area.
- (2) The acre feet of productive sand in each of the three benches of the Blati Lower Gully sand in the whole of the Participating Area was determined by adding the acre feet of productive sand in each of the three benches in all the tracts in the Participating Area.

(3) The acre feet of productive sand in each of the three benches of the Blati Lower Gully sand in the whole of the Participating Area was determined by adding the acre feet of productive sand in each of the three benches in all the tracts in the Participating Area.

It is further agreed that the percentage participation of each tract in the Participating Area, as set forth in Section 11 hereof, was calculated and determined, by application of the foregoing formula in accordance with the following factors, definitions and procedure:

the division of ownership be divided among such parcels or portions in proportion to the number of surface acres in each.

The Percentage Participation for each tract in the Participating Area as set forth in Section 11 hereof was determined, and any revisions thereof shall be determined, in accordance with the following formula, which is hereby adopted:

Total Tract Original Stock Tank Oil in Place by Microlog Survey X 100
Total Participating Area Original Stock Tank Oil in Place by Microlog Survey
Plus
Total Tract Original Stock Tank Oil in Place by Adjusted Electric Log S. P. Profile X 100
Total Participating Area Original Stock Tank Oil in Place by Adjusted Electric Log S. P. Profile
Plus
Total Tract Oil Production During Base Period X 100
Total Participating Area Oil Production During Base Period

= Tract Percentage Participation

In connection with the foregoing formula, it is recognized and agreed that the Blati Lower Gully Sand as heretofore defined is a common reservoir consisting of three productive intervals each of which has a different value as to the number of barrels of stock tank oil per acre foot in place. Said productive intervals are referred to herein as Bench 1, Bench 2, and Bench 3, respectively, and are defined as follows:

- Bench 1 - shall mean and refer to the same interval of the Blati Lower Gully Sand encountered in the Amersbach-John White #1 well between the depths of 4750 feet and 4765 feet as shown by the Schlumberger electric log of said well, which well is located in the SW 1/4 of Sec. 9, T. 22 N., R. 12 W., San Juan County, New Mexico.
- Bench 2 - shall mean and refer to the same interval of the Blati Lower Gully Sand encountered in the said Amersbach-John White #1 well between the depths of 4765 feet and 4780 feet as shown by the Schlumberger electric log of said well.
- Bench 3 - shall mean and refer to the same interval of the Blati Lower Gully Sand encountered in the said Amersbach-John White #1 well between the depths of 4780 feet and 4800 feet as shown by the Schlumberger electric log of said well.

It is further agreed that the percentage participation of each tract in the Participating Area, as set forth in Section 11 hereof, was calculated and determined, by application of the foregoing formula in accordance with the following factors, definitions and procedure:

- (1) The total stock tank oil in place in the Participating Area was determined by totaling the acre feet of oil in place in all benches in each tract in the Participating Area. Similarly, the total stock tank oil in place in the whole of the Participating Area was determined by totaling the acre feet of oil in place in all benches in all tracts in the Participating Area.

B. The original stock tank oil in place in each tract in the Participating Area and in the Participating Area as a whole based on electric log self-potential (S. P.) profile were determined as follows:

- (1) The acre feet of productive sand in each of the three benches of the Blati Lower Gully sand in each tract in the Participating Area was determined from net logporosity maps constructed for each of the said respective three benches based on electric log self-potential profiles in accordance with acceptable geologic and engineering practices and utilizing accurate survey data of the surface area of each tract in the Participating Area. In this connection it is understood that the productive sand in each of the three benches of the Blati Lower Gully sand in the whole of the Participating Area was determined by adding the acre feet of productive sand in each of the three benches in all the tracts in the Participating Area.

It is further agreed that the percentage participation of each tract in the Participating Area, as set forth in Section 11 hereof, was calculated and determined, by application of the foregoing formula in accordance with the following factors, definitions and procedure:



(2) The acre feet of productive sand in each of the three benches of the Histi Lower Gallup Sand in the whole of the Participating Area was then calculated by adding the acre feet of productive sand in each of the three benches in all tracts in the Participating Area.

(3) It was determined in accordance with the best engineering practices utilizing all available engineering and geological information available that the original stock tank oil in place per acre foot for each of the said three productive benches comprising the Histi Lower Gallup Sand based on electric log self-potential profiles is as follows:

Bench 1 - 650.0 barrels per acre foot
Bench 2 - 397.0 barrels per acre foot
Bench 3 - 407.0 barrels per acre foot

Accordingly, the total stock tank oil in place (by electric log self-potential) for each bench in each tract in the Participating Area was calculated by multiplying the number of acre feet of each bench in each tract by the appropriate number of barrels of stock tank oil per acre foot in place for each bench as above indicated. Similarly, the total stock tank oil in place (by electric log self-potential) for each bench in the whole of the Participating Area was calculated by multiplying the number of acre feet of each bench in all tracts in the Participating Area by the appropriate number of barrels of stock tank oil per acre foot in place for each bench as above indicated.

(4) The total stock tank oil in place (by electric log self-potential) in each tract in the Participating Area was then calculated by totaling the stock tank oil in place in all benches in each tract in the Participating Area. Similarly, the total stock tank oil in place (by electric log self-potential) in the whole of the Participating Area was determined by totaling the stock tank oil in place in all benches in all tracts in the Participating Area.

C. The tract oil production during the base period and the Participating Area oil production during the base period were determined as follows:

(1) For the purposes of this agreement the "base period" shall mean and refer to the production of oil during the third quarter of 1958 (July 1, 1958 thru September 30, 1958) provided, however, that the "base period" for any well not having produced three months prior to July 1, 1958 shall be the last three months of the first six months in which said well has produced. However, whenever a well is to be converted to an injection well before producing in for a sufficient period to qualify as to the base production period under the formula set forth herein, the production for

the base period may be calculated at any rate up to the maximum allowable which may be agreed to by 65% of the working interest owners and approved by the Director and the Commissioner.

(2) All oil production obtained from each tract during the base period, as above defined, constitutes "total tract oil production during base period" and the total of all oil production obtained during the base period from all tracts in the participating area constitutes "total participating area oil production during base period"; provided, however, that only oil production which is not in excess of the top allowable in effect for the Histi Field during the third quarter of 1958 (i.e., 52 barrels per well for all wells having 40 acres allocated thereto and 104 barrels per well for all wells having 80 acres allocated thereto) shall be taken into account in computing "total tract oil production during base period" and "total participating area oil production during base period."

D. The Percentage Participation for each tract in the Participating Area was then calculated by application of the formula hereinabove first set forth in this section.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND. Any party or parties hereto owning or controlling the working interest or a majority of the

working interests in any unleased land having thereon a regular well location may, with the approval of the Supervisor as to Federal and Indian land and the Commissioner as to State land, and subject to the provisions of the Unit Operating Agreement, at such party's sole risk, cost and expense, drill a test well to test the Histi Lower Gallup Sand Formation if such location is not within a participating area, or drill any well not mutually agreed to by all interested parties, unless within 90 days from receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled, as aforesaid, by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be enlarged as provided in this agreement, and the party or parties paying the cost of drilling such well shall be reimbursed as provided in the Unit Operating Agreement for the cost of drilling such well, and the well shall thereafter be

operated by Unit Operator in accordance with the terms of this agreement and the Unit Operating Agreement.

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

14. ROYALTY SETTLEMENT. The United States, the Indians, and the State of New Mexico and all royalty owners who, under existing contracts, are entitled to take in kind a share of the unitized substances produced from any tract, shall hereafter be entitled to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases except that said royalties shall be computed in accordance with the terms of this agreement.

If gas obtained from lands not subject to this agreement is introduced into the unitized land for use in pressure maintenance, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan approved by the Supervisor, Commissioner and the Commissioner, a like amount of gas, was appropriate deductions for their free and common use be withdrawn from the formation into which the gas was introduced, from the free gas production, and not be subject to the production sharing agreement provided

that such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and, provided further, that such right of withdrawal shall terminate on the termination of this agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and Commissioner.

Royalty due the United States and the Indians shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts heretofore allocated to unitized Federal and Indian land as provided herein at the rate specified in the respective Federal and Indian leases, or at such lower rate or rates as may be authorized by law or regulation; provided that for leases on which the royalty rate depends on the daily average production per well such average production shall be determined in accordance with the operating regulations as though the participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in like amount due under their leases. Rental or minimum royalty for leases of the United States and the Indians subject to this agreement shall be paid at the rate specified in the respective leases from the United States and the Indians unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary of the Interior (hereinafter called "Secretary") or a duly authorized representative.



Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases, or may be reduced or suspended under the order of the Commissioner pursuant to applicable laws and regulations.

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

16. CONSERVATION. Operations hereunder and production of untitled substances shall be conducted to provide for the most economical and efficient recovery of such substances as to prevent waste as defined by or pursuant to State or Federal law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of untitled substances from untitled land by wells on land not subject to this agreement, or, with consent of the Director and Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor and Commissioner.

18. LEASES AND CONTRACTS CONFIRMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly notified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal and Indian leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter,

change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal, Indian, and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement, or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of untitled land will be accepted and deemed to be performed upon and for the benefit of each and every tract of untitled land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all untitled lands pursuant to direction or consent of the Secretary (or his duly authorized representative) and the Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of untitled land.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States and

Indians committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease and any Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the Fourth paragraph of Sec. 17(1) of the Act, as amended by the Act of July 19, 1955 (39 Stat. 559, 560): "Any (Federal) lease heretofore committed to any area (unit) plan covering lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands covered by and the lands not committed as of the effective date of operation of the plan."

That any such lease as to the noncommitted portions shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) Any Indian lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such lease shall apply separately 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 in such lease, if untitled substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement or some part of the lands embraced in such State lease is included in the Participating Area at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lease or the Unit Operator is then engaged in some field drilling or producing operations on some part of the lands embraced therein shall remain in full force and effect as long as such operations are being or being prosecuted, and if there shall be the discovery of untitled substances, such lease and the operations thereon shall continue in full force and effect.



of the lands embraced therein, so long thereafter as
united substances are produced in paying quantities
from any portion of said lands.

19. **COVENANTS RUN WITH LAND.** The covenants herein shall be construed
to be covenants running with the land with respect to the interests of the
parties hereto and their successors in interest until this agreement terminates,
and any grant, transfer, or conveyance of interest in land or leases subject
hereto shall be and hereby is conditioned upon the assumption of all privileges
and obligations hereunder by the grantee, transferee, or other successor in
interest. No assignment or transfer of any working interest subject hereto
shall be binding upon the Unit Operator until the first day of the calendar
month after Unit Operator is furnished with the original, photostatic or
certified copy of the instrument of transfer; and no assignment or transfer
of any royalty interest shall be binding upon the working interest owner
responsible therefor until the first day of the calendar month after said
working interest owner is furnished with the original, photostatic or certified
copy of the instrument of transfer.

20. **EFFECTIVE DATE AND TERM.** This agreement shall become effective
upon approval by the Director, Commissioner, and the Indian Commissioner, or
their duly authorized representatives, as of the first day of the month follow-
ing the date of approval by the Director and shall remain in effect so long
as united substances can be produced from the unitized land in paying
quantities, i.e. in this particular instance in quantities sufficient to pay
for the cost of producing same; and, should production cease, so long there-
after as diligent operations are in progress for the restoration of pro-
duction and so long thereafter as such unitized substances can be produced
as aforesaid. This agreement shall remain in effect during any period of
suspension approved by the Director and the Commissioner as provided for in
Section 15(c) hereof.

Commissioner or to apply for relief from any of said regulations or in any pro-
ceedings relative to operations before the Department of the Interior, the
Commissioner, or other legally constituted authority; provided, however, that
any other interested party shall also have the right at his or its own
expense to be heard in any such proceeding.

21. **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 personally delivered to the party or sent by postpaid
registered or certified mail, addressed to such party or parties at their
respective addresses set forth in connection with the signatures hereto or
to the ratification or consent hereto or to such other address as any such
party may have furnished in writing to party sending the notice, demand or
statement.

22. **NO WAIVER OF CERTAIN RIGHTS.** Nothing in this agreement contained
shall be construed as a waiver by any party hereto of the right to assert any
legal or constitutional right to defense as to the validity or invalidity of
any law of the state wherein said unitized land is located, or of the United
States or regulations issued thereunder in any way affecting such party, or as
a waiver by any such party of any right beyond his or its authority to waive.

23. **UNAVOIDABLE DELAY.** All obligations under this agreement requiring
the Unit Operator to commence or continue drilling or to operate or to pro-
duce unitized substances from any of the lands covered by this agreement shall
be extended while, but only so long as, the Unit Operator despite the exercise
of due care and diligence is prevented from complying with such obligations, in
whole or in part, by strikes, acts of God, Federal, State, or municipal law
or agencies, overridable accidents, unavoidable delays in transportation,
and other such circumstances material in operation, or other matters beyond
the reasonable control of the Unit Operator, whether similar to matters herein
enumerated or not.

This agreement may be terminated at any time by the working
interest owners whose voting interests aggregate not less than 60%, subject
to the approval of the Director and the Commissioner; notice of any such
approval shall be given by Unit Operator to all parties hereto.

24. **RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.** The Director
is hereby vested with authority to alter or modify from time to time in his
discretion the quantity and rate of production under this agreement when such
quantity and rate is not fixed pursuant to Federal or State law or does not
conform to any state-wide voluntary conservation or allocation program, which
is established, recognized, and generally adhered to by the majority of op-
erators in such State, such authority being hereby limited to alteration or
modification in the public interest, the purpose thereof and the public interest
to be served thereby to be stated in the order of alteration or modification.
Without regard to the foregoing, the Director is also hereby vested with
authority to alter or modify from time to time in his discretion the rate of
prospecting and development and the quantity and rate of production under this
agreement when such alteration or modification is in the interest of attaining
the conservation objectives stated in this agreement and is not in violation
of any applicable Federal or State law. It is agreed, further, that no such
alteration or modification shall be effective as to any land of the State of
New Mexico as to the rate of prospecting and development in the absence of
the specific written approval thereof by the Commissioner and as to the
quantity and rate of production in the absence of specific written approval
thereof by the Commissioner.

Powers in this section vested in the Director shall only be
exercised after notice to Unit Operator and opportunity for hearing to be
held not less than 30 days from notice.

25. **APPEARANCES.** Unit Operator shall, after notice to other parties
affected, have the right to appear for or on behalf of any and all interests
affected hereby before the Department of the Interior and the Commissioner and
to appeal from orders issued under the regulations of said Department and/or

26. **FAIR EMPLOYMENT.** In connection with the performance of work under
this agreement, the Operator agrees not to discriminate against any employee or
applicant for employment because of race, religion, color, or national origin.
The aforesaid provision shall include, but not be limited to, the following:
Employment, upgrading, demotion, or transfer; recruitment or recruitment adver-
tising; layoff or termination; rates of pay or other forms of compensation; and
selection for training, including apprenticeship. The Operator agrees to post
hereafter to conspicuous places, available for employees and applicants for
employment, notices to be provided by the contracting officer setting forth the
provisions of the non-discrimination clause.

The Operator agrees to insert the foregoing provision in all
subcontracts hereunder, except subcontracts for commercial supplies or raw
materials.

The Operator shall also comply with the terms and conditions of
the Indian leases while engaged in operations thereon with respect to the
employment of available Indian labor.

27. **LOSS OF TITLE.** In the event title to any tract of unitized land
shall fall and the true owner cannot be induced to join in this Unit Agreement,
such tract shall be automatically regarded as not committed hereunder and there
shall be such readjustment of future costs and benefits as may be required on
account of the loss of such title. In the event of a dispute as to the title
to any royalty, working interest or any other interest subject hereto, payment
or delivery on account thereof may be withheld without liability for interest
until the dispute is finally settled; provided that as to Federal land, Indian
land, and State land or leases, a percentage of funds due the United States,
Indians, or the State of New Mexico shall be withheld and such funds to the
United States and Indians shall be deposited as directed by the Department,
and such funds of the State shall be deposited as directed by the Department,
to be held as escrow until pending final settlement of the title dispute, and
then applied as directed by the Department with the final settlement.



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

26. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any such tract effectively committed as to the working interest and not so withdrawn shall be considered unitized, and any necessary adjustments of royalty occasioned by failure of the royalty and record owner to join will be for the account of the corresponding working interest owner. Any oil or gas interest in lands within the Unit Area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a working interest, by the owner of such interest also subscribing to the Unit Operating Agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the Unit Operating Agreement. After final approval hereto, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the Unit Agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement, in order for the interest to be regarded as effectively committed to this Unit Agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any

papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director or the Commissioner.

29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described Unit Area; provided, if this agreement has not been approved by the Director and the Commissioner prior to January 1, 1960, it shall thereupon terminate and be of no further force and effect.

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

31. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners or any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part

to comply with any applicable provisions thereof to the extent that the said Unit Operator, working interest owners, or any of them are hindered, delayed or prevented from complying therewith by reason of the failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commissioner, agree that all powers and authority vested in the Commissioner in and by any provisions of this contract are vested in the Commissioner and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

32. PARTIES HERETO. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. SEVERABILITY. Subject to the approval of the Director and the Commissioner, the Unit Operating Agreement, when approved by the Director and the Commissioner, shall constitute the agreement or agreement of the parties hereto and shall be binding upon all parties hereto and shall be the sole basis for the operation of the Unit Area for the purposes of the Unit Operating Agreement and for the purposes of the Unit Agreement.

34. ENTIRE AGREEMENT. The parties hereto have agreed this agreement to be the entire agreement between them and that they have not entered into any other agreement or understanding with respect to the matters covered by this agreement.

35. WITNESSES. The parties hereto have caused this agreement to be signed by their duly authorized representatives and have caused the same to be signed in the presence of the undersigned witnesses.

36. SIGNATURES. The parties hereto have caused this agreement to be signed by their duly authorized representatives and have caused the same to be signed in the presence of the undersigned witnesses.

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

By _____
Vice President

Address _____

ATTENT: _____

Secretary

Date of Signature: _____

PHILLIPS PETROLEUM COMPANY

By _____
Vice President

Address _____

ATTENT: _____

Secretary

Date of Signature: _____

PAN AMERICAN PETROLEUM CORPORATION

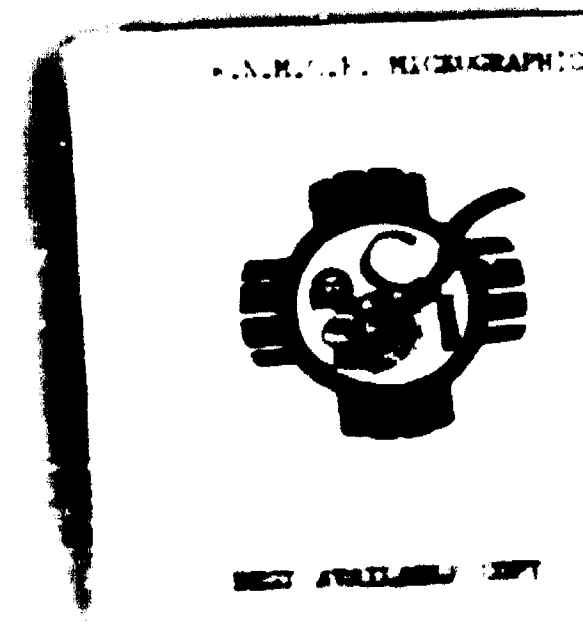
By _____
Attorney-in-Fact

Address _____

ATTENT: _____

Secretary

Date of Signature: _____

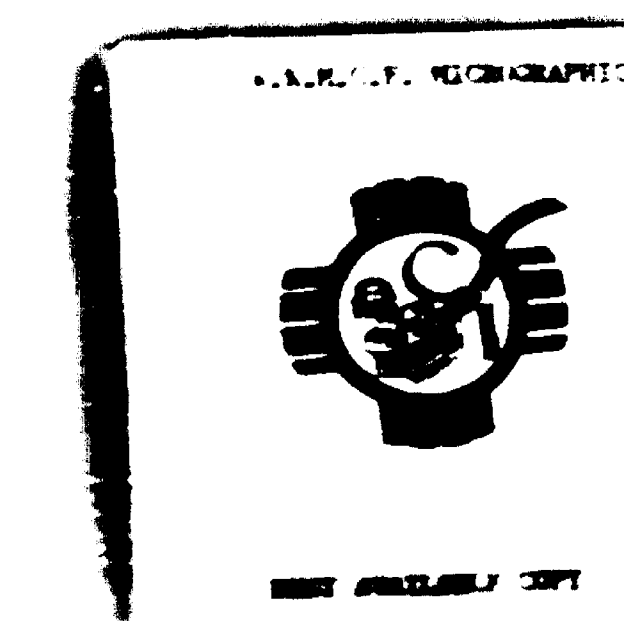


SOUTHERN UNION GAS COMPANY
By _____
Vice President
address _____
ATTEST:
Secretary
Date of Signature: _____
EL PASO NATURAL GAS PRODUCTS COMPANY
By _____
Vice President
address _____
ATTEST:
Secretary
Date of Signature: _____
SHELL OIL COMPANY
By _____
Vice President
address _____
ATTEST:
Secretary
Date of Signature: _____
VAL R. RUSSELL ASSOCIATES, INC.
By _____
Vice President
address _____
ATTEST:
Secretary
Date of Signature: _____
-34-

STATE OF OKLAHOMA
COUNTY OF TULSA
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the President of SOUTHERN UNION GAS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public
STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of SOUTHERN UNION GAS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public
STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public
STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of SOUTHERN UNION GAS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public

Date of Signature: _____
Witness: _____
Date of Signature: _____
Witness: _____
Date of Signature: _____
Witness: _____

STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of SOUTHERN UNION GAS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public
STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of SOUTHERN UNION GAS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public
STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of EL PASO NATURAL GAS PRODUCTS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public
STATE OF _____
COUNTY OF _____
On this _____ day of _____, 1994, before me appeared _____, known to me personally, who being by me duly sworn, did say that he is the Vice President of SOUTHERN UNION GAS COMPANY, a domestic corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of the Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.
My commission expires: _____
Notary Public



STATE OF _____ }
COUNTY OF _____ } SS.
On this _____ day of _____, 1959, before me
appeared _____, to me personally
known, who, being by me duly sworn, did say that he is Vice President of
SHELL OIL COMPANY, a Delaware corporation, and that said instrument was signed
and sealed in behalf of said corporation by authority of its Board of Directors
and that said _____ acknowledged said
instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 1959, before me
appeared _____, to me personally
known, who, being by me duly sworn, did say that he is Vice President of
VAL S. ROSS AND ASSOC., INC., a _____ corporation, and
that said instrument was signed and sealed in behalf of said corporation by
authority of its Board of Directors, and said _____
acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 1959, before me
appeared _____, to me personally known, who,
being by me duly sworn, did say that he is Vice President of _____
corporation, and that said instrument was signed and sealed in behalf of
said corporation by authority of its Board of Directors and said
_____ acknowledged said instrument
to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 1959, before me appeared
_____ to me personally known, who,
being by me duly sworn, did say that he is Vice President of _____
corporation, and that said instrument was signed and sealed in behalf of
said corporation by authority of its Board of Directors, and said
_____ acknowledged said instrument to be the free act and deed of said corporation.

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 19____, before me
personally appeared _____
to me known to be the person described in and who executed the foregoing
instrument, and acknowledged that he executed the same as his free act and
deed.

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

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 19____, before me
personally appeared _____
to me known to be the person described in and who executed the foregoing
instrument, and acknowledged that he executed the same as his free act and
deed.

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

My commission expires: _____ Notary Public

STATE OF _____ }
COUNTY OF _____ } SS.

On this _____ day of _____, 19____, before me
personally appeared _____
to me known to be the person described in and who executed the foregoing
instrument, and acknowledged that he executed the same as his free act and
deed.

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

My commission expires: _____ Notary Public



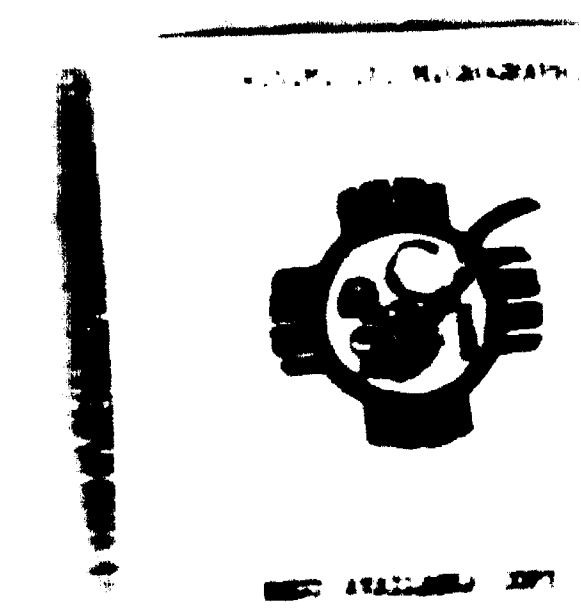
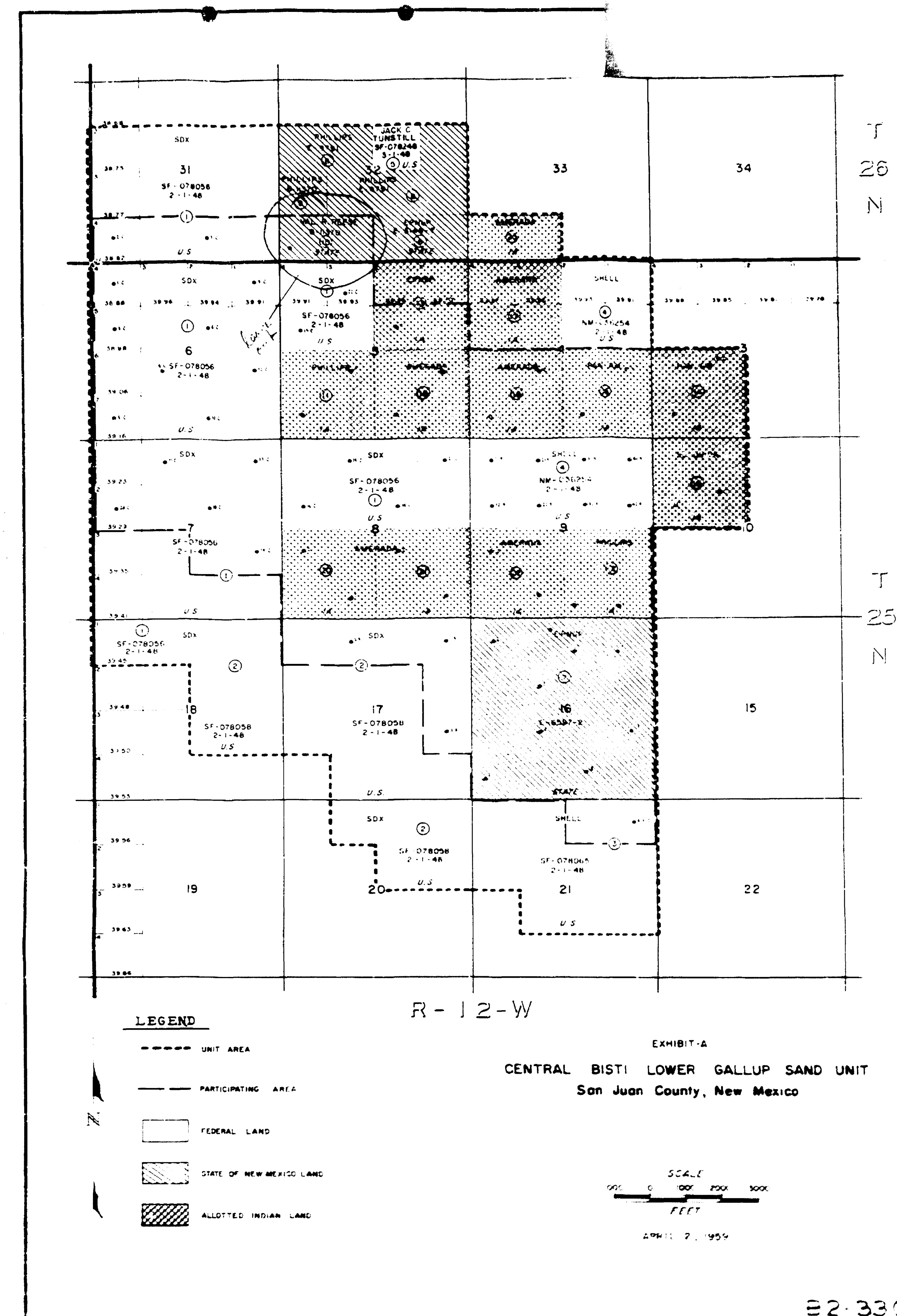


EXHIBIT "B" (Continued)

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP
OF ALL LANDS WITHIN THE CENTRAL BISTE LOWER GULF SAND UNIT
TOWNSHIPS 24 AND 25 NORTH, RANGE 10 WEST, SAN JUAN COUNTY, NEW MEXICO

TRACT NUMBER	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE OR APPLICATION	BASIC ROYALTY & PERCENTAGE	LESSEE BY RECORD	OVERSICING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1	TRACT 1, 2, 3 & 4 SEC. 21, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
2	TRACT 5, 6, 7 & 8 SEC. 22, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
3	TRACT 9, 10, 11 & 12 SEC. 23, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
4	TRACT 13, 14, 15 & 16 SEC. 24, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL

TRACT 17, 18, 19 & 20

W. H. SLOAN &
ALBERTA SLOAN
1/15

ROBERT MURRAY TACKETT
EXECUTOR AND TRUSTEE
UNDER THE WILL OF
ROBERT TACKETT
DECEASED
1/15

GERALD F. FIDDELL &
ELIZABETH FIDDELL
1/15

ROBERT D. GILLEN &
MARGARET GILLEN
1/15

REBECCA CLEVELAND &
ROBERT B. CLEVELAND
1/15

FRANK A. SCHULTZ
1/15

R. M. BARROW &
LUCILLE C. BARROW
1/15

KATHARINE D. JOSE
1/15

P. D. STILL
1/15

LEE ESTE HOBBS
AS HER SEPARATE
PROPERTY AND ESTATE
1/15

MRS. OLIVE MILLER
1/15 OF 1/15

EXHIBIT "B" (Continued)

3	TRACT 21, 22, 23 & 24 SEC. 25, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
5	TRACT 25, 26, 27 & 28 SEC. 26, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
6	TRACT 29, 30, 31 & 32 SEC. 27, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
7	TRACT 33, 34, 35 & 36 SEC. 28, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
8	TRACT 37, 38, 39 & 40 SEC. 29, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
9	TRACT 41, 42, 43 & 44 SEC. 30, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
10	TRACT 45, 46, 47 & 48 SEC. 31, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
11	TRACT 49, 50, 51 & 52 SEC. 32, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
12	TRACT 53, 54, 55 & 56 SEC. 33, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
13	TRACT 57, 58, 59 & 60 SEC. 34, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
14	TRACT 61, 62, 63 & 64 SEC. 35, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
15	TRACT 65, 66, 67 & 68 SEC. 36, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
16	TRACT 69, 70, 71 & 72 SEC. 37, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
17	TRACT 73, 74, 75 & 76 SEC. 38, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
18	TRACT 77, 78, 79 & 80 SEC. 39, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
19	TRACT 81, 82, 83 & 84 SEC. 40, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
20	TRACT 85, 86, 87 & 88 SEC. 41, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
21	TRACT 89, 90, 91 & 92 SEC. 42, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
22	TRACT 93, 94, 95 & 96 SEC. 43, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL
23	TRACT 97, 98, 99 & 100 SEC. 44, T24N, R10W S1/4, NE1/4, SE1/4, E1/2	160.00	SP-107894 2-1-45 H.B.P.	USA 10%	SUNRAY MID-CONTINENT OIL COMPANY	NONE	SUNRAY MID-CONTINENT OIL COMPANY - ALL

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EXHIBIT "B" (Continued)

THOMAS M. &
MIRIAM GORDON
1/15 OF 1/15

CHARLES D. &
LUCY D. BARRETT
1/15 OF 1/15

GEORGE BIGAN
1/15 OF 1/15

ROBERT B. ANDERSON
1/15 OF 1/15

WILLIAM & FLORENCE
D. DOWNEY
1/15 OF 1/15

WALLACE D. BARRETT
1/15 OF 1/15

LAWRENCE L. LAYELLE
1/15 OF 1/15

MARION LEBELL
1/15 OF 1/15

MAR. E. MURPHY WELLS
1/15 OF 1/15

BENJAMIN J. &
HELEN M. JENNINGS
1/15 OF 1/15

LEWIS OPPERMAN
1/15 OF 1/15

STANLEY T. JENNINGS
1/15 OF 1/15

ALBERT W. REY
1/15 OF 1/15

ALEXANDER D. L. RE
1/15 OF 1/15



EXHIBIT "B" (CONTINUED)

					SID MEIER 1/5 or 1/36		
					HARRIS LEVINE 1/5 or 1/36		
					WILLIAM LEVINE 1/5 or 1/36		
					MARY LIPART 1/5 or 1/36		
					LOUIS FALDO 1/5 or 1/36		
					ROBERT MIMS 1/4, E. W. MUDGE, JR. 1/4, & GAS PRODUCTS CORP. 1/2 OF 8100 ACRES DUE PAYMENT OUT OF 1/36 or 6/8		
5	TOWNSHIP SEC. 32: SW/4 NE/4	40.00	SW-078948 3-1-40 EXTENDED 1-31-60	USA 1266	JACK C. TURNELL	C.H. RYE 2/5 OF 8/8 W. J. MEADER 1/36 or 6/8	TEXACO INC. - ALL (THIS LEASE HELD UNDER OPTION AGREEMENT.)
<u>FIVE FEDERAL TRACTS CONTAINING 4300.56 ACRES OR 40.315% OF UNIT AREA</u>							
<u>STATE LANDS</u>							
6	TOWNSHIP SEC. 32: SE/4 NE/4	80.00	E-314R-7 N.B.P.	STATE OF NEW MEXICO 1266	EL PASO NATURAL GAS PRODUCTS CO.	JOHN BURROWS & JAMES BURROWS 2/5 OF 6/8	EL PASO NATURAL GAS PRODUCTS COMPANY - ALL
7	TOWNSHIP SEC. 16: All	640.00	E-6597-2 N.B.P.	STATE OF NEW MEXICO 1266	LAWRENCE C. KELLY, TRUSTEE; EL PASO NATURAL GAS PRODUCTS COMPANY &	AS TO N/2 OF SEC. 16 TOWNSHIP 12N, LAWRENCE C. KELLY, TRUSTEE, AND INDIVIDUALLY 4, 7/8 or 6/8	LAWRENCE C. KELLY, TRUSTEE - 2 EL PASO NATURAL GAS PRODUCTS CO. - 1/2
					J. D. ALLENBRETTON 2/5 or 6/8		

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ALABAMA "B" (CONTINUED)

TRACT NUMBER	DESIGNATION	NO. OF ACRES	CONTRACT NUMBER AND DATE	BASIC ROYALTY AND ALLOTMENT NUMBER	OVERSIDING ROYALTY	MARKETING INTEREST AND PERCENTAGE
INDIAN LANDS						
11	TECH. B70 SEC. 5: SW -	160.00	NAVAJO ALLOTED CONTRACT NO. 14-200-003-1292 H.B.P.	HOSKA DA WOT (JIMMIE) 4/6/64 JIM WHITE (059289) - JIM WHITE BENALLY - 1256 (059289)	NONE	PHILLIPS PETROLEUM COMPANY - ALL
12	TECH. B70 SEC. 5: SE 1/4	160.00	NAVAJO ALLOTED CONTRACT NO. 14-200-003-1292 H.B.P.	I TAH NIP PAN (MAY) (JIM) WHITE, A/K/A MART WHITE CHALEY 1256 (059289)	NONE	PHILLIPS PETROLEUM COMPANY - ALL
13	TECH. B70 SEC. 5: LOT 1 & 2 S/2 NE 1/4 (NE 1/4)	155.92	NAVAJO ALLOTED CONTRACT NO. 14-200-003-1292 H.B.P.	TOTAL BASIC ROYALTY 1256 DIVIDED AS FOLLOWS: RUE DA PAN A/K/A MRS. HERBERT WILLIAMS (059289) - 576/64 GLE DA NUP PAN 160/64 HOSKA DA WOT (JIMMIE) 4/6/64 JIM WHITE (059289) - 5/64 LE MI NE PAN A/K/A SALINA WHITE (059289) - 5/64 I MI PAN A/K/A JOAN WHITE (059289) - 5/64 LAW BENALLY 5/64	NONE	EL PASO NATURAL GAS PRODUCTS COMPANY - ALL

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EXHIBIT "E" (CONTINUED)

						AS TO 3/2 SEC. 36 TOWN, R12W		
						LAWRENCE E. KELLY, TRUSTEE AND INDIVIDUALLY 17-258 w 8/8		
						J. D. MIDDLETON 258 w 8/8		
8	TOWN, R12W SEC. 38: 3/4 NW/4, S/2 NW/4 NW/4 SW/4, N/2 SE/4	240.00	E-9791 E-21-36	STATE OF NEW MEXICO 126	PHILLIPS PETROLEUM COMPANY	NONE	PHILLIPS PETROLEUM COMPANY - ALL	
9	TOWN, R12W SEC. 38: NW/4 SW/4	40.00	8-17370-43 8-3-44 H.B.P.	STATE OF NEW MEXICO 126	PHILLIPS PETROLEUM COMPANY	JAMES PALMER 38 of 8/8	PHILLIPS PETROLEUM COMPANY - ALL	
10	TOWN, R12W SEC. 38: S/2 SW/4	80.00	8-17370-31 H.B.P.	STATE OF NEW MEXICO 126	J. FELIX NICHOLAN	J. FELIX NICHOLAN 78 of 8/8 FIRST NAT'L BANK OF ALBUQUERQUE AS TRUSTEE FOR JACQUELYN LEIGH NICHOLAN 288 of 8/8 CARROLL T. PAYNE 186 of 8/8 MABLE NICHOLAN 186 of 8/8	KAL B. REESE & ANDREW, INC. - 1/8 J. M. MORGANELL - 1/32 JOHN P. VANDEWATER - 1/8 E. B. RICHARDSON - 1/16 THOMAS W. CARMEN - 1/16 OSCAR M. LOVE - 1/8 FRED LUTY - 1/32 JAMES E. SPERLING - 1/32 LENA M. THOMPSON - 1/32	

FINE STATE OF NEW MEXICO TRACTS CONTAINING 1000.00 ACRES OF 16.5707% OF UNIT AREA

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EXHIBIT "B" (CONTINUED)

14	<u>75W, 812W</u> Sec. 31 5W/A	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-503-1493 H.B.P.	50 IN PAY (MAY UNIT) A/K/A HEART WHITE CHARLIE (095082) - 5/56	50 IN PAY (MAY UNIT) A/K/A HOS. HENBERT WILLIAMS (095083) - 10/56	NONE	PAN AMERICAN PETROLEUM CORPORATION - ALL
15	<u>75W, 812W</u> Sec. 41 5W/A	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-503-1428 H.B.P.	212 IN PAY AS WILDERESS NA PAN (LAWYER) A/K/A WILLIAM LE BELLAMY (095082) - 10/56	TOTAL BASIC ROYALTY 75% DISTRIBUTED AS FOLLOWS: NA PAN (LAWYER) A/K/A WILLIAM LE BELLAMY (095082) - 10/56	NONE	PAN AMERICAN PETROLEUM CORPORATION - ALL
				MORONA DAN HOT A/K/A JIM WHITE (095080) - 12/1956			
				AN IN ME PAN A/K/A SALINA WHITE (095088) - 12/1956			
				I IN PAN A/K/A JOAN WHITE, A/K/A HOS. JOAN HARRISON (095087) - 12/1956			
				I TAN RIF PAN (MAY UNIT) A/K/A HEART WHITE CHARLIE (095082) - 12/1956			
				JOE BLACKIE (CEWIS #11112) - 31/1956			
				USMORA DAN HO TAN A/K/A ERNEST BLACKIE - 57/1956			
				MARCEL BLACKIE - 57/1956			

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EXHIBIT "B" (CONTINUED)

16	TPM, R12W Sec. 10: NW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-1489 H.B.P.	GLE NA HUP PAN A/K/A MRS. JOAN DEVORE (059289) - 5/8 KA DA PAN A/K/A MRS. HERBERT WILLIAMS (059289) - 5/8 KA DA PAN A/K/A MRS. HERBERT WILLIAMS (059289) - 1/8 MOSKA DA VOT (JIMMIE) A/K/A JIM WHITE (059289) - 1/8 AN NI WE PAN A/K/A SALINA WHITE (059289) - 1/8 I NI PAN A/K/A JOAN WHITE (059289) - 1/8 I TAN KIP PAN (MARY WHITE) A/K/A MARY WHITE CHARLEY (059289) - 1/8 SAM BENALLY - 1/8	NONE	SOUTHERN UNION GAS COMPANY - ALL
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EXHIBIT "B" (CONTINUED)

20	TPM, R12W Sec. 01: SW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-324 H.B.P.	KA DA PAN A/K/A MRS. HERBERT WILLIAMS (059289) - 1/8 MOSKA DA VOT (JIMMIE) A/K/A JIM WHITE (059289) - 1/8 AN NI WE PAN A/K/A SALINA WHITE (059289) - 1/8 I NI PAN A/K/A JOAN WHITE A/K/A MRS. JOAN HARRISON (059289) - 1/8 I TAN KIP PAN (MARY WHITE) A/K/A MARY WHITE CHARLEY (059289) - 1/8 SAM BENALLY 1/8	NONE	AMERADA PETROLEUM CORPORATION - ALL
21	TPM, R12W Sec. 01: SE/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-325 H.B.P.	NA DES PAN OR NAH DES PAN LEASE ALLOTMENT, NO. 071673 1236	NONE	AMERADA PETROLEUM CORPORATION - ALL
22	TPM, R12W Sec. 01: SW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-326 H.B.P.	I NI PAN A/K/A JOAN WHITE A/K/A MRS. JOAN HARRISON (059289) - 1236	NONE	AMERADA PETROLEUM CORPORATION - ALL

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EXHIBIT "B" (CONTINUED)

17	TPM, R12W Sec. 11: Lots 3 & 4 S/2 NW/4	159.98	NAVAJO ALLOTTED CONTRACT No. 14-20-603-322 10-7-53	TOTAL BASIC ROYALTY 1236 DIVIDED AS FOLLOWS: KA DA PAN A/K/A MRS. HERBERT WILLIAMS (059289) - 43/64 MOSKA DA VOT (JIMMIE) A/K/A JIM WHITE (059289) - 3/64 AN NI WE PAN A/K/A SALINA WHITE (059289) - 3/64 I NI PAN A/K/A JOAN WHITE A/K/A MRS. JOAN HARRISON (059289) - 1/64 I TAN KIP PAN (MARY WHITE) A/K/A MARY WHITE CHARLEY (059289) - 1/64 SAM BENALLY - 3/64 GLE NA HUP PAN - 5/64	NONE	AMERADA PETROLEUM CORPORATION - ALL
18	TPM, R12W Sec. 11: SW/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-321 10-7-53 H.B.P.	KA DA PAN A/K/A MRS. HERBERT WILLIAMS (059289) - 1236 LEASE ALLOTMENT NO. 071670	NONE	AMERADA PETROLEUM CORPORATION - ALL
19	TPM, R12W Sec. 01: SE/4	160.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-323 10-7-53 H.B.P.	TOTAL BASIC ROYALTY 1236 DIVIDED AS FOLLOWS: GLE NA HUP PAN - 5/8	NONE	AMERADA PETROLEUM CORPORATION - ALL

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EXHIBIT "B" (CONTINUED)

23	TPM, R12W Sec. 33: S/2 SW/4	80.00	NAVAJO ALLOTTED CONTRACT No. 14-20-603-327 11-9-53	NA PAN (JOHN) A/K/A WILLIAM L. BENALLY (059289) - 1236	NONE	AMERADA PETROLEUM CORPORATION - ALL
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13 TRACTS INDIAN ALLOTTED LAND CONTAINING 1900.00 ACRES ON 7/1/53 OF UNIT DATA

CENTRAL BIST: LOWER GULLIP SAND UNIT AREA	TOTALS:	5 FEDERAL TRACTS	4100.00 ACRES	15.314%
		5 STATE OF NEW MEXICO TRACTS	1000.00 ACRES	3.8174%
		13 TRACTS INDIAN ALLOTTED LAND	1900.00 ACRES	7.2671%
			1500.00 ACRES	100.0000%



EXHIBIT C SCHEDULE OF TRACT PARTICIPATION (CENTRAL BASIN LOWER GULF SAND UNIT) SAN JUAN COUNTY, NEW MEXICO			
TRACT NUMBER	DESCRIPTION	SECTION AND DATE OF LEASE RE-ACQUISITION	PERCENTAGE PARTICIPATION
FEDERAL LANDS			
1	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	43.3681
2	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	2.1646
3	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	0.5118
4	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	10.8032
STATE LANDS			
5	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	6.9184
6	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	0.3784

CERTIFICATE OF APPROVAL

Pursuant to the authority vested in the Secretary of Interior under the Mineral Leasing Act of March 3, 1920, 40 Stat. 168, 33 U. S. C. 181, and the Public Land Mineral Leasing Act of May 11, 1930, 46 Stat. 347, 30 U. S. C. 181, et seq., as amended, and to certain restricted and allotted Indian lands within the Unit Area and upon examination of said agreement, the Commissioner finds:

(a) That such agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy in said field;

(b) That under the operations proposed, the state will receive its fair share of the recoverable oil or gas in place under its land in the area affected;

(c) That the agreement is in other respects for the best interests of the state;

(d) That the agreement provides for the unit operation of the field, for allocation of production and sharing of proceeds from the area covered by the agreement in accordance with a formula for participation as specified in the agreement regardless of the particular tract from which production is obtained or proceeds are derived and for representing or secondary recovery operations.

NOW, THEREFORE, by virtue of the authority conferred upon me by virtue of the laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the state, do hereby consent to and approve the above referred to Central Basin Lower Gulf Sand Unit Agreement as to the lands of the State of New Mexico committed hereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Unit Agreement shall be extended as provided herein, each extension shall also be effective to extend the term of each oil and gas lease embracing land of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of said Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this day of _____, 1953.

Commissioner of Public Lands of the State of New Mexico

State Geologist

EXHIBIT C (Cont'd)			
TRACT NUMBER	DESCRIPTION	SECTION AND DATE OF LEASE RE-ACQUISITION	PERCENTAGE PARTICIPATION
INDIAN ALLOTTED LANDS			
11	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	4.7264
12	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	4.6174
13	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	0.8410
14	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	0.9348
15	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	2.1877
16	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	3.9085
18	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	3.4194
19	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	4.3627
20	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	1.9205
21	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	4.0998
22	1-20-60-12-20 Sec. 31, T. 20N., R. 12W., S. 1-18-53 H.B.P.	2-1-18-53 H.B.P.	4.7462
Total			100.0000

* By agreement the AMERICAN OIL COMPANY, INC., situated on Tract 16 was credited with the maximum production factor in computing total tract oil production during base period with respect to Tract 16 in contemplation of the use of said well as an injection well.

CERTIFICATE OF APPROVAL

There has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Central Basin Lower Gulf Sand Unit Area, San Juan County, New Mexico, dated _____, 1953, in which Henry McConiment Oil Company is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said agreement, the Commissioner finds:

(a) That such agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy in said field;

(b) That under the operations proposed, the state will receive its fair share of the recoverable oil or gas in place under its land in the area affected;

(c) That the agreement is in other respects for the best interests of the state;

(d) That the agreement provides for the unit operation of the field, for allocation of production and sharing of proceeds from the area covered by the agreement in accordance with a formula for participation as specified in the agreement regardless of the particular tract from which production is obtained or proceeds are derived and for representing or secondary recovery operations.

NOW, THEREFORE, by virtue of the authority conferred upon me by virtue of the laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the state, do hereby consent to and approve the above referred to Central Basin Lower Gulf Sand Unit Agreement as to the lands of the State of New Mexico committed hereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Unit Agreement shall be extended as provided herein, each extension shall also be effective to extend the term of each oil and gas lease embracing land of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of said Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this day of _____, 1953.

Commissioner of Public Lands of the State of New Mexico