

FEDERAL / STATE / ALLOTTED INDIAN / FEE  
EXPLORATORY UNIT

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF  
THE

**NORTH ALAMITO UNIT AREA**

SAN JUAN AND SANDOVAL COUNTIES, NEW MEXICO

NO. \_\_\_\_\_

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FOR THE DEVELOPMENT AND  
OPERATION OF THE

**NORTH ALAMITO UNIT  
AREA**

COUNTIES OF SAN JUAN AND  
SANDOVAL STATE OF NEW MEXICO

NO. \_\_\_\_\_

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UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

**NORTH ALAMITO UNIT AREA**

COUNTIES OF SAN JUAN AND SANDOVAL  
STATE OF NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of December, 2012 ("Effective Date"), by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

THIS AGREEMENT, is limited in applicability to wells containing a lateral or laterals drilled, completed or recompleted so that horizontal component of the completion interval extends at least one thousand feet (1,000') in the objective formation ("Horizontal Well(s)"). All pre-existing and future vertical wells within the Unit boundary drilled and completed in the Mancos Shale Group, (see 3. UNITIZED LAND AND UNITIZED SUBSTANCES) are excluded from this Agreement.

WITNESSETH:

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

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 19-10-45, 46, 47 NM Statutes 1978 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and

WHEREAS, the Oil Conservation Division of the New Mexico Energy and Minerals Department, hereinafter referred to as "Division", is authorized by an act of the Legislature (Chapter 70 and 71, NM Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

1. **ENABLING ACT AND REGULATIONS.** The Acts of March 3, 1909 and of February 25, 1920, 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 hereunder are accepted and made a part of this agreement as to Federal and Indian trust lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal and non-Indian trust lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. **UNIT AREA.** The following described land is hereby designated and recognized as constituting the unit area:

See map attached hereto marked as Exhibit "A" is hereby designated and recognized as constituting the Unit Area containing, 14,262.78 acres more or less.

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

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

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO and the Federal Indian Minerals Office (FIMO)), or on demand of the AO or FIMO, or the Land Commissioner (after preliminary concurrence by the AO and FIMO and the Land Commissioner) shall prepare a Notice of Proposed Expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion, preferably the first day of a month subsequent to the date of notice.

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

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

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

3. **UNITIZED LAND AND UNITIZED SUBSTANCES.** All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". For the purposes used in this unit agreement, the term "unitized land" shall include all unleased Federal lands, which shall, for all purposes, upon the authorized officers' approval of the unit be deemed committed to this agreement to govern development and operations of the unitized substances thereunder. Nothing in this agreement shall be deemed to grant rights to the use of surface overlying such unleased Federal lands for any oil and gas operations conducted under this agreement. All oil and gas in the Mancos Shale Group, including genetically related rocks from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) to the stratigraphic equivalent of the base of the Greenhorn Limestone as shown in Lybrook E36-2307 01H (API # 30843211170000) located in S2N2 Section 36, T23N- R7W, Sandoval County, New Mexico, are unitized under the terms of this agreement and herein are called "unitized substances" (see type log attached as Exhibit "C").

4. **UNIT OPERATOR.** Encana Oil & Gas (USA) Inc., hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. **RESIGNATION OR REMOVAL OF UNIT OPERATOR.** Unit Operator shall have the right to resign at any time prior to the establishment of unitized production or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working interest owners and the AO, and the Land Commissioner and the Division, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO as to Federal and Indian trust lands, and the Division 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.

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

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the newly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected, elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

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

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

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

7. **ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.** If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper Bureau of Land Management office and one true copy with the Land Commissioner, and one true copy with the Division prior to approval of this unit agreement.

8. **RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.** Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. **DRILLING TO DISCOVERY.** For the purposes of this Unit Agreement, the Encana Lybrook H26 2307 01H well with a surface location in the SE4NE4 of Section 26, Township 23 North, Range 7 West, N.M.P.M., with a 4,285 foot horizontal lateral in the Mancos Shale Group located S2N2 of said Section 26, which was commenced on December 6, 2012 and completed on February 12, 2013, shall hereby be approved by the AO, FMO, the Land Commissioner and the Division as the obligation well necessary to validate this Unit Agreement (Initial Well). In addition, the following existing horizontal wells are within the boundary of the Unit Agreement and were drilled and completed to produce unitized substances subsequent to the effective date of this Unit Agreement and subsequent to the completion of the Initial Well (Existing Wells): the Encana Lybrook H26 2307 02H well in the SE4NE4 of Section 26, Township 23 North, Range 7 West, N.M.P.M., with a 4,385 foot horizontal lateral in the Mancos Shale Group located in the S2N2 of said Section 26, commenced on December 22, 2012 and completed February 12, 2013, lateral plugged and sidetrack operation commenced July 3, 2014 on the well then named Lybrook H26 2307 02H ST well, with a new sidetrack lateral of 4,416 foot horizontal lateral in the Mancos Shale Group located in S2N2 said Section 26 which was completed August 28, 2014; and the Encana Lybrook E33 2307 01H well in the SW4NW4 of Section 33, Township 23 North, Range 7 West, N.M.P.M., with a 3,556 foot horizontal lateral in the Mancos Shale Group located in the N2N2 of Section 32 Township 23 North, Range 7 West, N.M.P.M. which commenced August 22, 2014 and completed October 16, 2014; and the Encana Lybrook L33 2307 01H well in the NW4SW4 of Section 33, Township 23 North, Range 7 West, N.M.P.M. with a 4,568 foot horizontal lateral in the Mancos Shale Group located in the N2S2 of Section 32, Township 23 North, Range 7 West, N.M.P.M. commenced August 22, 2014 and completed October 19, 2014; and the Encana Lybrook E33 2307 02H well in the SW4NW4 of Section 33, Township 23 North, Range 7 West, N.M.P.M. with a 4,529 foot horizontal lateral in the Mancos Shale Group located in the S2N2 of said Section 32, Township 23 North, Range 7 West, N.M.P.M. commenced September 4, 2014 and completed October 24, 2014; and the Encana Lybrook P32 2307 01H well in the SW4SW4 of Section 32, Township 23 North, Range 7 West, N.M.P.M. with a 4,197 foot horizontal lateral in the Mancos Shale Group located in the S2S2 of

said Section 32, commenced September 3, 2014 and completed November 2, 2014. Within six (6) months after final approval of this Unit Agreement, the Unit Operator shall submit a paying well determination report for the Initial Well to the AO to determine if the Initial Well can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit). If the Initial Well is not capable of producing in paying quantities, then, Unit Operator shall submit a paying well determination report to the AO for the first of the Existing Wells which commenced after the Initial Well, and likewise thereafter, each succeeding Existing Well drilled until it is determined that one of the Existing Well(s) is capable of producing in paying quantities. If paying well determination reports have been submitted for the Initial Well and all of the Existing Wells and none have proven to be capable of producing in paying quantities, then the Unit Operator shall continue drilling one well at a time, allowing not more than one (1) year between the completion of one well and the commencement of drilling operations for the next well, the first of which shall commence within one (1) year from non-paying determination by AO of the last Existing Well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO, if on Federal or Indian trust land, or the Land Commissioner if on State land or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

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

Upon failure to commence any well as provided for in this section within the time allowed including any extension of time granted by the AO and the Land Commissioner, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and the Land Commissioner may, after fifteen (15) days notice to the Unit Operator, declare this unit agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first six (6) months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section. The failure to commence a well subsequent to the drilling of the initial obligation well, or in the case of multiple well requirements, if specified, subsequent to the drilling of those multiple wells, as provided for in this (these) section(s), within the time allowed including any extension of time granted by the AO and the Land Commissioner, shall cause this agreement to terminate automatically. Upon failure to continue drilling diligently any well other than the obligation well(s) commenced hereunder, the AO and the Land Commissioner may, after 15 days notice to the Unit Operator, declare this unit agreement terminated. Failure to commence drilling the initial obligation well, or the first of multiple obligation wells, on time and to drill it diligently shall result in the unit agreement approval being declared invalid ab initio by the AO and the Land Commissioner. In the case of multiple well requirements, failure to commence drilling the required multiple wells beyond the first well, and to drill them diligently, may result in the unit agreement approval being declared invalid ab initio by the AO and the Land Commissioner.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within twelve (12) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO, the Land Commissioner, and the Division, an acceptable plan of development and operation for the unitized land which, when approved by the AO, the Land Commissioner and the Division, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO, the Land Commissioner and the Division, a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on a calendar year basis not later than March 1 each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

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

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO, the Land Commissioner and the Division are authorized to grant a reasonable extension of the 12-month period herein prescribed for submission of an initial plan of development and on operation where such action is justified because of unusual conditions or circumstances.

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

11. ALLOCATION OF PRODUCTION. All unitized substances produced under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, or for repressuring or recycling in accordance with a plan of development and operations that has been approved by the AO, or unavoidably lost shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land. Each such tract shall have allocated to it such percentage of said production as the number of acres of such tract bears to the total acres of unitized land. There shall be allocated to the working interest owner(s) of the unitized land (excluding unleased Federal lands), such percentage of the production attributable to the unleased Federal and Indian trust land within the unitized area as the number of acres of such unleased Federal land included in said unitized area bears to the total acres of unitized land subject to the payment of the compensatory royalty specified in section 15(b) of this agreement. Allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, including compensatory royalty obligations under section 15, shall be prescribed as set forth in the unit operating agreement or as otherwise mutually agreed by the affected parties, whether in conformity with the basis of allocation herein set forth or otherwise.

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

If gas obtained from lands not subject to this agreement is introduced into the unit area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery in conformity with a plan of development and operation approved by the AO, and the Land Commissioner and the Division, a like amount of gas, after settlement as herein provided for any gas transferred from any other area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO, and the Land Commissioner and the Division as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

Royalty due on United States and Indian trust lands shall, including compensatory royalty specified in Section 15(b), be computed as provided in 30 CFR Group 200 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized land as provided in Section 11 at the rates specified in the respective lease, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the unitized 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.

13. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by appropriate working interest owners 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 due under their leases. Rental or minimum royalty for lands of the United States and Indian trust lands subject to this agreement shall be paid at the rate specified in the respective leases from the United States, and Indian trust lands, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases.

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

15. DRAINAGE.

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

(b) Pursuant to CFR 43, §3181.5, in order to compensate the United States for drainage from any unleased Federal lands committed to this unit, twelve and one-half percent (12.50%) of the production that would be attributable to such unleased Federal lands under Section 12 of this agreement, if they were leased and committed to the unit, shall be payable as compensatory royalties to the Federal Government as prescribed under Section 11 hereunder. Payment shall accrue from the date of first production of unitized substances from the unit. If leased Federal lands that share in actual production allocation from the unit become unleased, the payment shall accrue from the date the Federal lands become unleased. Payment due under this provision shall end when the unleased Federal tract is leased; when production of unitized substances ceases within the unit; or, when the unit terminates, whichever occurs first.

16. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary, as to Federal and Indian trust leases and the Land Commissioner as to State leases, each by his approval hereof, or by the approval hereof by his duly authorized representative, shall and does hereby establish, alter, change, or revoke the drilling, producing, rental minimum royalty, and royalty requirements of Federal, State, and Indian leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of this unit area.

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

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

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

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that a well capable of production of unitized substances in paying quantities is established in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such Federal lease shall be extended for two years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Act of February 25, 1920, as amended. Any Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of Unitized Substances in paying quantities is established under this Unit Agreement prior to the expiration date of the term of such lease and such lease shall be extended for so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the acts governing the leasing of Indian lands.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784) (30 U.S.C. 226 (m)): "Any (Federal) lease heretofore or hereafter committed to any such (Unit) plan embracing lands that are in part within and in part outside the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization. Provided, however that any such lease as to non-unitized portion shall continue in force and effect for the term thereof, but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made the subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination 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 the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as the effective date hereof; provided, however, that notwithstanding any of the provisions of this agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the fixed term of such lease; or if, at the expiration of the fixed term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

18. EFFECTIVE DATE AND TERM. This agreement shall become effective on December 1, 2012, when approved by the AO and the Federal Indian Minerals Office shall automatically terminate five (5) years from said effective date unless:

(a) upon application by the Unit Operator such date of expiration is extended by the AO and the Land Commissioner; or

(b) it is reasonably determined prior to the expiration of the fixed terms or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder; and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this agreement is terminated with approval of the AO and the Land Commissioner; or

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

(d) it is voluntarily terminated as provided in this agreement. Except as noted herein this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO and the Land Commissioner. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first six (6) months of this agreement unless at least one obligation well shall have been drilled in conformance with Section 9.

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

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

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

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

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

23. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes; acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

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

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

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

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 or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper Bureau of Land Management office, the Land Commissioner, the Division, and the Unit Operator prior to the approval of this agreement by the AO and the Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest, is a working interest, by the owner of such interest only subscribing to the unit operating agreement.

After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a 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. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the AO, the Land Commissioner and the Division of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

27. 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.

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

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

If, as a result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

- (a) accept those working interest rights subject to this agreement and the unit operating agreement; or
- (b) lease the portion of such land subject to this agreement and the unit operating agreement; or
- (c) provide for the independent operation of any part of such land.

If the fee owner of the unitized substances does not accept the working interest rights subject to this agreement and the unit operating agreement or lease such lands as above provided within six (6) months after the surrender or forfeited working interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

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

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

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

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

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

32. SEVERABILITY. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

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

ENCANA OIL & GAS (USA) INC.

By \_\_\_\_\_  
Constance D. Heath  
Attorney-in-Fact

Date of Execution \_\_\_\_\_

Address 370 17th Street, Suite 1700  
Denver, Colorado 80202

STATE OF COLORADO )  
 )ss.  
COUNTY OF DENVER )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2016, before me appeared Constance D. Heath to me personally known, who, being duly sworn, did say that she is the Attorney-in-Fact of Encana Oil & Gas (USA) Inc. and that said Constance D. Heath acknowledged said instrument to be the free act of deed of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



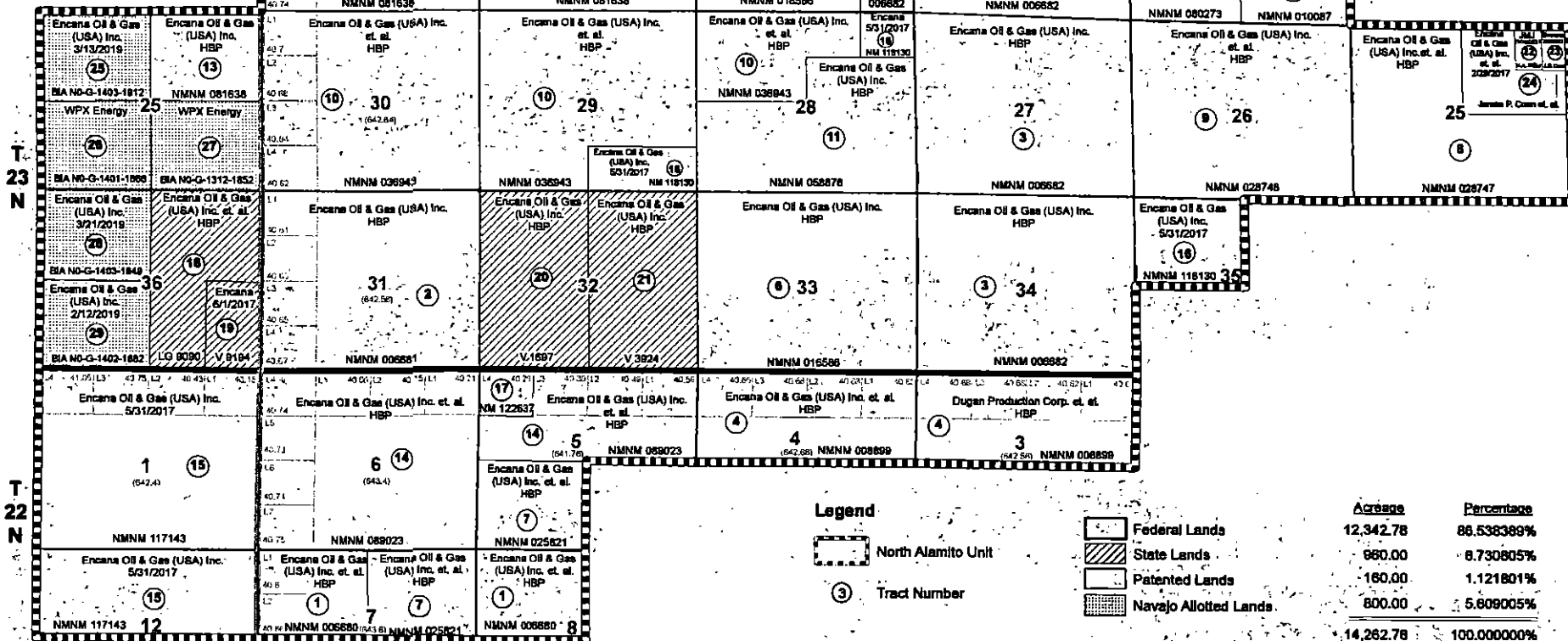
# Exhibit "A"

## North Alamito Unit

Sandoval and San Juan Counties, New Mexico

R7W

R8W

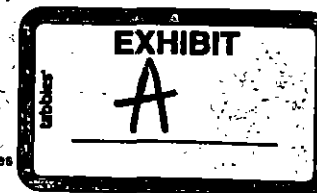
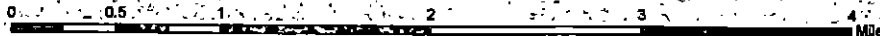


### Legend

- North Alamito Unit
- State Lands
- Patented Lands
- Navajo Allotted Lands

- Federal Lands
- State Lands
- Patented Lands
- Navajo Allotted Lands

	Acreage	Percentage
Federal Lands	12,342.78	86.538389%
State Lands	980.00	6.730805%
Patented Lands	160.00	1.121801%
Navajo Allotted Lands	800.00	5.608005%
<b>Total</b>	<b>14,282.78</b>	<b>100.000000%</b>



encana

Note: Unless otherwise noted herein the sections on this plat contain 640.00 acres.

**EXHIBIT "B"**

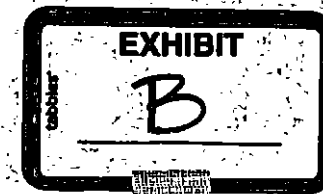
Schedule Showing Percentage and Kind of Ownership of Oil and Gas Interests

**NORTH ALAMITO UNIT**

Sandoval and San Juan Counties, New Mexico

The Oil and Gas Lease ownership described in this schedule are limited to the stratigraphic equivalent of the interval described in the Monaca Shale Group, including the genetically related rocks from 100 feet below the stratigraphic equivalent of the top of the Monaca Shale (now of Mesa Verde Group) to the stratigraphic equivalent of base of the Greenhorn Limestone as shown in the Lybrand H86-2807 83 (API # 80-043-33117), as illustrated on the type log depicted on Exhibit "C" attached hereto.

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Lessee of Record and Percentage	Basic Royalty and Percentage	Lease Mineral Interest	Overriding Royalty and Percentage	Working Interest and Percentage	
<b>FEDERAL LANDS:</b>									
1	Township 22 North, Range 7 West, NMPM Section 7 Lots 1 (40.80 NWRW), 2 (40.86 SWNW), E2NW Section 8 NW Sandoval County, NM	321.66	NMNM 006580 Effective Date 07/01/1968 Expiration Date HBP	Mark A. Chapman Moon Royalty LLC Dugan Production Corp.	14.062500% 14.062500% 71.875000%	USA-All (12.50%)	100.000000% 0.606250% 1.831932% 0.189688% 1.500000% 0.875000% 1.125000%	Dugan Production Corp. Black Stone Minerals Company, LP O'Connell Partners, LP Jack Harris R. L. Kiggins Kochrogen Enterprises Family LP Encana Oil & Gas (USA) Inc. Dugan Production Corp. Carl Springs Properties, LLC Moon Royalty LLC	35.837500% 35.837500% 14.062500% 14.062500%
2	Township 23 North, Range 7 West, NMPM Section 81 Lots 1 (40.61 NWRW), 2 (40.63 SWRW), 3 (40.63 NWSW), 4 (40.67 SWSW), E2W2, E3 Sandoval County, NM	642.58	NMNM 006601 Effective Date 07/01/1968 Expiration Date HBP	Encana Oil & Gas (USA) Inc.	100.000000%	USA-All (12.50%)	100.000000%	None Encana Oil & Gas (USA) Inc.	100.000000%
3	Township 23 North, Range 7 West, NMPM Section 21, E2E2 Section 22 All Section 27 All Section 34 All Sandoval County, NM	2,080.00	NMNM 006682 Effective Date 07/01/1968 Expiration Date HBP	Encana Oil & Gas (USA) Inc.	100.000000%	USA-All (12.50%)	100.000000%	None Encana Oil & Gas (USA) Inc.	100.000000%
4	Township 22 North, Range 7 West, NMPM Section 8 Lots 1 (40.80 NENE), 2 (40.62 NWNE), 3 (40.68 NENW), 4 (40.68 NWNW), S2N2 Section 4 Lots 1 (40.68 NENE), 2 (40.68 NWNE), 3 (40.68 NENW), 4 (40.65 NWNW), S2P2 Sandoval County, NM	645.24	NMNM 006559 Effective Date 03/01/1969 Expiration Date HBP	Pitco Production Co. Dugan Production Corp.	28.125000% 71.875000%	USA-All (12.50%)	100.000000% 0.832500%	Dugan Production Corp. Encana Oil & Gas (USA) Inc. Dugan Production Corp. Chevron U.S.A. Inc. Pitco Production Company	18.250000% 18.250000% 89.875000% 28.125000%
5	Township 23 North, Range 7 West, NMPM Section 23 NW, SE Sandoval County, NM	520.00	NMNM 010007 Effective Date 08/01/1969 Expiration Date HBP	Encana Oil & Gas (USA) Inc.	100.000000%	USA-All (12.50%) (Sliding Scale)	100.000000%	None Encana Oil & Gas (USA) Inc.	100.000000%
6	Township 23 North, Range 7 West, NMPM Section 21 W2, W2E2 Section 83 All Sandoval County, NM	1,120.00	NMNM 016538 Effective Date 06/01/1973 Expiration Date HBP	Encana Oil & Gas (USA) Inc.	100.000000%	USA-All (12.50%)	100.000000% 0.556667% 0.333333%	Michael Lyle Payne Lyle L. Payne, Jr. Encana Oil & Gas (USA) Inc.	100.000000%



Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Lessee of Record and Percentage	Base Royalty and Percentage	Lease Mineral Interest	Overriding Royalty and Percentage	Working Interest and Percentage
7	Township 23 North, Range 7 West, NMPM Section 5 SW Section 7 NE Sandoval County, NM	820.00	NMNM 025821 Effective Date 08/01/1975 Expiration Date HBP	Dugan Production Corp. 100.000000%	USA-All (12.50%)	100.000000%	Dugan Production Corp. 2.500000%	Encore Oil & Gas (USA) Inc. Dugan Production Corp. 50.000000% 50.000000%
8	Township 23 North, Range 7 West, NMPM Section 25 NW, S2 Sandoval County, NM	480.00	NMNM 028747 Effective Date 11/01/1976 Expiration Date HBP	ConocoPhillips Co. 100.000000%	USA-All (12.50%) (Sliding Scale)	100.000000%	ConocoPhillips Company 12.500000%	Encore Oil & Gas (USA) Inc. Dugan Production Corp. 50.000000% 50.000000%
9	Township 23 North, Range 7 West, NMPM Section 28 All Sandoval County, NM	640.00	NMNM 028748 Effective Date 11/01/1976 Expiration Date HBP	ConocoPhillips Co. 100.000000%	USA-All (12.50%) (Sliding Scale)	100.000000%	ConocoPhillips Company 12.500000%	Encore Oil & Gas (USA) Inc. Dugan Production Corp. Rho Oil & Gas, LLC 43.750000% 48.750000% 0.500000%
10	Township 23 North, Range 7 West, NMPM Section 28 NW, NWNE Section 28 W2, NE, N2SE Section 30 Lot 1 (40.70 NWNW), Lot 2 (40.68 SWNW), Lot 3 (40.64 NWSW), Lot 4 (40.62 SWSW) E2W2, E3 Sandoval County, NM	1,402.64	NMNM 036348 Effective Date 08/11/1979 Expiration Date HBP	Gary-Williams Co. 25.000000% WPX Energy Production, LLC <sup>(1)</sup> 25.000000% Luz Colon Minerals LP 39.000000% Macdonald Energy LP 10.000000% MHT Properties Ltd 1.000000%	USA-All (12.50%)	100.000000%	George Fram Henry A. Altanz Marvin C. Grass The Snow Family Trust 1981 0.000000% 2.000000% 1.000000% 1.000000%	66.750000% of the Unleased Interval <sup>(2)</sup> That portion of the unleased interval lying above 100' below stratigraphic equivalent of 5,425' encountered in the Henry AGC Fed #1 (API 30-043-20832) located NWNW Sec 28, T23N-R7W Encore Oil & Gas (USA) Inc. <sup>(3)</sup> Dugan Production Corp. <sup>(4)</sup> WPX Energy Production, LLC <sup>(5)</sup> IM Minerals LLC Gary Williams Production 0.875079% 0.374850% 1.125000%
11	Township 23 North, Range 7 West, NMPM Section 28 S2, S3NE Sandoval County, NM	400.00	NMNM 028878 Effective Date 07/01/1984 Expiration Date HBP	Encore Oil & Gas (USA) Inc. 100.000000%	USA-All (12.50%) (Sliding Scale)	100.000000%	None	Encore Oil & Gas (USA) Inc. 100.000000%

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Lessee of Record and Percentage	Basic Royalty and Percentage	Lease Mineral Interest	Overriding Royalty and Percentage	Working Interest and Percentage
12	Township 23 North, Range 7 West, N1/4 PM Section 23 NE, SW Sandoval County, NM	320.00	NMNM 080273 Effective Date 08/01/1960 Expiration Date HBP	Henson-McBride Petroleum 100.000000%	USA-All (12.50%) (Siding Scale)	100.000000%	None	Henson-McBride Petroleum 100.000000%
13	Township 23 North, Range 7 West, N1/4 PM Section 19 Lots 1 (40.82 NWNW), 2 (40.80 SWNW), 3 (40.78 NWSW), 4 (40.74 SWSW), E2W2, E2 Section 20 All Sandoval County, NM Township 23 North, Range 8 West, N1/4 PM Section 25 NE San Juan County, NM	1,443.12	NMNM 081638 Effective Date 07/01/1989 Expiration Date HBP	Dugan Production Corp. WPX Energy Production, LLC (1)	51.000000% 49.000000%	USA-All (12.50%)	100.000000%	<p><i>Transfer only as the lease covers T23N-R7W</i>  <i>Section 18 Lots 1-4, E1W2, NE; Section 20 NE, SE, and Section 22 NE</i></p> <p>Yates Petroleum Corporation 0.090000% Abo Petroleum Corporation 0.720000% Myco Industries, Inc. 0.720000% Dugan Production Corp. 1.147500%</p> <p><i>Transfer only as the lease covers T23N-R7W</i>  <i>Section 18 SE and Section 20 SW</i></p> <p><i>As to 71.80% of the Unitheld Interest (1)</i>  That portion of the unitheld interval lying above the stratigraphic equivalent of 5,454' encountered in the Aca Federal well (API 30-043-20833) located in SW/4 Sec 20, T23N-R7W.  Yates Petroleum Corporation 0.108000% Abo Petroleum Corporation 0.864000% Myco Industries, Inc. 0.864000% Dugan Production Corp. 0.918000%</p> <p><i>As to 28.20% of the Unitheld Interest (1)</i>  That portion of the unitheld interval lying below the stratigraphic equivalent of 5,454' encountered in the Aca Federal well (API 30-043-20833) located in SW/4 Sec 20, T23N-R7W.  Yates Petroleum Corp. 0.090000% Abo Petroleum Corp. 0.720000% Myco Industries, Inc. 0.720000% Dugan Production Corp. 0.785000%</p> <p><i>Transfer only as the lease covers T23N-R7W</i>  <i>Section 18 Lots 1-4, E1W2, NE; Section 20 NE, SE, and Section 22 NE</i></p> <p>Encina Oil &amp; Gas (USA) Inc. (2) 37.500000% Dugan Production Corp. (2) 37.500000% WPX Energy Production, LLC (2) 25.000000%</p> <p><i>Transfer only as the lease covers T23N-R7W</i>  <i>Section 18 SE and Section 20 SW</i></p> <p><i>As to 71.80% of the Unitheld Interest (1)</i>  That portion of the unitheld interval lying above the stratigraphic equivalent of 5,454' encountered in the Aca Federal well (API 30-043-20833) located in SW/4 Sec 20, T23N-R7W.  Encina Oil &amp; Gas (USA) Inc. (2) 45.000000% Dugan Production Corp. (2) 45.000000% WPX Energy Production, LLC (2) 10.000000%</p> <p><i>As to 28.20% of the Unitheld Interest (1)</i>  That portion of the unitheld interval lying below the stratigraphic equivalent of 5,454' encountered in the Aca Federal well (API 30-043-20833) located in SW/4 Sec 20, T23N-R7W.  Encina Oil &amp; Gas (USA) Inc. (2) 37.500000% Dugan Production Corp. (2) 37.500000% WPX Energy Production, LLC (2) 25.000000%</p>
14	Township 22 North, Range 7 West, N1/4 PM Section 5 Lots 1 (40.39 NENE), 2 (40.49 NNNE), 3 (40.39 NENW), S2N2 Section 6 Lots 1 (40.21 NENE), 2 (40.15 NNNE), 3 (40.09 NENW), 4 (40.74 NWNW), 5 (40.71 SWNW), 6 (40.74 NWSW), 7 (40.75 SWSW), S2NW, S2NE, E2SW, SE Sandoval County, NM	924.87	NMNM 083021 Effective Date 05/01/1992 Expiration Date HBP	Dugan Production Corp. 100.000000%	USA-All (12.50%)	100.000000%	Dugan Production Corp. 2.500000%	Encina Oil & Gas (USA) Inc. Dugan Production Corp. 50.000000% 50.000000%
15	Township 22 North, Range 8 West, N1/4 PM Section 1 Lots 1 (40.15 NENE), 2 (40.45 NNNE), 3 (40.75 NENW), 4 (41.05 NWNW), S2N2, S2 Section 12 N2 San Juan County, NM	862.40	NMNM 117243 Effective Date 12/01/2008 Expiration Date 11/30/2016	WPX Energy Production, LLC 100.000000%	USA-All (12.50%)	100.000000%	To be determined	WPX Energy Production, LLC 100.000000%

Traffic Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Lessee of Record and Percentage	Basic Royalty and Percentage	Lease (Federal Interest)	Overriding Royalty and Percentage	Working Interest and Percentage	
18	Township 23 North, Range 7 West, NMPM Section 28 NE1E Section 29 E2SE Section 35 NW Sandoval County, NM	280.00	NMNM 118130 Effective Date 04/01/2007 Expiration Date 05/31/2017	Encina Oil & Gas (USA) Inc.	100.000000%	USA-All (12.50%)	100.000000%	None  Encina Oil & Gas (USA) Inc. 100.000000%	
17	Township 22 North, Range 7 West, NMPM Section 5 Lot 4 (40.29 NW1/4) Sandoval County, NM	40.29	NMNM 122687 Effective Date 08/01/2009 Expiration Date 05/31/2018	Encina Oil & Gas (USA) Inc.	100.000000%	USA-All (12.50%)	100.000000%	Featherstone Development Corporation Brian C. Reid & Katherine A. Reid 5.645800% 0.520800% Encina Oil & Gas (USA) Inc. 100.000000%	
17 Federal Tracts totaling		12,942.78	acres or 68.8677284 of Unit Area						
<b>STATE LANDS</b>									
18	Township 23 North, Range 8 West, NMPM Sec 56 NE, W2SE San Juan County, NM	240.00	LS 8030 Effective Date 12/01/1980 Expiration Date NBP	Dugan Production Corp.	100.000000%	State of New Mexico-All (12.50%)	100.000000%	Dugan Production Corp. 2.500000% Encina Oil & Gas (USA) Inc. 50.000000% Dugan Production Corp. 50.000000%	
19	Township 23 North, Range 8 West, NMPM Section 56 E2SE San Juan County, NM	80.00	V 9134 Effective Date 04/01/2012 Expiration Date 04/01/2017	Encina Oil & Gas (USA) Inc.	100.000000%	State of New Mexico-All (12.50%)	100.000000%	None  Encina Oil & Gas (USA) Inc. 100.000000%	
20	Township 23 North, Range 7 West, NMPM Section 52 W3 Sandoval County, NM	320.00	V 1697 - Effective Date 01/01/1998 Expiration Date NBP	Encina Oil & Gas (USA) Inc.	100.000000%	State of New Mexico-All (12.50%)	100.000000%	None  Encina Oil & Gas (USA) Inc. 100.000000%	
21	Township 23 North, Range 7 West, NMPM Section 32 E3 Sandoval County, NM	320.00	LS 5924 Effective Date 12/01/1975 Expiration Date NBP	Encina Oil & Gas (USA) Inc.	100.000000%	State of New Mexico-All (12.50%)	100.000000%	R. J. Miller Partnership Dugan Production Corp. 2.000000% 2.000000% Encina Oil & Gas (USA) Inc. 100.000000%	
4 State Tracts totaling		880.00	acres or 6.864137% of Unit Area						
<b>PRIVATE LANDS</b>									
22	Township 21 North, Range 7 West, NMPM Section 23 W2NE4SE Sandoval County, NM	20.00	Henry A. Miller Lease Effective Date 11/10/2011 Expiration Date 11/10/2033	JMU Land and Minerals Company	100.000000%	Henry A. Miller-All (12.50%)	100.000000%	JMJ Resources, LLC 7.500000% JMU Land and Minerals Company 100.000000%	

Tract Number	Descriptive of Land	Number of Acres	Serial Number and Expiration Date of Lease	Lessee of Record and Percentage	Less Mineral Interest	Basic Royalty and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
23	Tract 23 North, Range 7 West, N1/4 PM Section 23 E2NE4, S2NE4 Sanval County, NM	20.00	James P. Coen Lease Effective Date 02/28/2012 Expiration Date 02/28/2017	Encana Oil & Gas (USA) Inc. Dugan Production Corp.	50.000000% 50.000000%	James P. Coen-All (16.67%)	1.66667%	Encana Oil & Gas (USA) Inc. Dugan Production Corp.
24	Tract 24 North, Range 7 West, N1/4 PM Section 25 NW4NE4, S2NE4 Sanval County, NM	120.00	James P. Coen Lease Effective Date 02/28/2012 Expiration Date 02/28/2017	Encana Oil & Gas (USA) Inc. Dugan Production Corp.	50.000000% 50.000000%	James P. Coen-All (16.67%)	1.66667%	Encana Oil & Gas (USA) Inc. Dugan Production Corp.
			Marwether Oil, Gas and Mineral Trust dated 9/20/1983 Lease Effective Date 11/10/2011 Expiration Date 11/10/2021	JMJ Land and Minerals Company	100.000000%	JMJ Resources, LLC-All (12.50%)	7.500000%	Encana Oil & Gas (USA) Inc.
			Hezel I. Stearns Family Trust dated 11/28/1983 Lease Effective Date 11/10/2011 Expiration Date 11/10/2021	JMJ Land and Minerals Company	100.000000%	JMJ Resources, LLC-All (12.50%)	7.500000%	Encana Oil & Gas (USA) Inc.

8 Potential Tracts totaling 180.00 acres or 1.1081586 of Unit Area

MAPAS ALLOTTER LEASES									
25	Tract 25 North, Range 8 West, N1/4 PM Section 25 NW San Juan County, NM	160.00	BIA NO-G-1403-1932 Effective Date 03/18/2014 Expiration Date 03/12/2019	Encana Oil & Gas (USA) Inc.	100.000000%	Heirs of Sun Sa Pah (20.00%)	None	Encana Oil & Gas (USA) Inc.	
26	Tract 26 North, Range 8 West, N1/4 PM Section 25 SW San Juan County, NM	160.00	BIA NO-G-1403-1886 Effective Date 03/15/2014 Expiration Date 03/14/2019	WPK Energy Production, LLC	100.000000%	Heirs of Nah Ti Nosa (20.00%)	None	WPK Energy Production, LLC	
27	Tract 27 North, Range 8 West, N1/4 PM Section 25 SE San Juan County, NM	160.00	BIA NO-G-1312-1852 Effective Date 12/30/2013 Expiration Date 12/29/2018	WPK Energy Production, LLC	100.000000%	Heirs of Nah Ti Be Ka Claw (20.00%)	None	WPK Energy Production, LLC	
28	Tract 28 North, Range 8 West, N1/4 PM Section 36 NW San Juan County, NM	160.00	BIA NO-G-1403-1949 Effective Date 03/21/2014 Expiration Date 03/21/2019	Encana Oil & Gas (USA) Inc.	100.000000%	Heirs of Nah Tah Sosa (20.00%)	None	Encana Oil & Gas (USA) Inc.	

North Alamo Unit  
Revised 12/9/2015

Tract Number	Description of Land	Number of Acres	Serial Number and Expiration Date of Lease	Lessee of Record and Percentage	Basic Royalty and Percentage	Lease Mineral Interest	Overriding Royalty and Percentage	Working Interest and Percentage
29	Tractable 24 North, Heavy & Work, NMPD section 20 SW San Juan County, NM	160.00	BIA NO-0-1422-1802 Effective Date 02/12/2014 Expiration Date 02/12/2019	Encina Oil & Gas (USA) Inc.	100.000000%	Heins of Ton Nes Pah (20.00%)	None	Encina Oil & Gas (USA) Inc. 100.000000%
8 Herold Abandoned Tracts totaling		800.00	acres or 4.856157% of Unit Area					
Total Unit Acres		14,282.78						
	Federal	12,542.76	94.538288%					
	State	899.00	6.298825%					
	Private	160.00	1.121811%					
	Abandon	880.00	6.040976%					
	Total Unit Acres	14,282.74	100.000000%					

<sup>21</sup> Pursuant to Article XVI.C. of the North Alamosa Unit Operating Agreement, the unitized interval under the identified tracts has been correlated to the depth marker identified in the leasehold chain of title and the portion of the unitized interval which lies above and below the ownership depth marker are represented above.

<sup>22</sup> The 25% Record Title Interest of Key Production Company, Inc. in Lease NMNM 036943 and lease NMNM 081638 has been assigned to WPX Energy Production, LLC. under Assignment of Record Title, pending approval.

<sup>23</sup> NMNM 036943 - T23N-R07W, Section 28 NW, NWNE; Section 28 W2, NE, N2SE; Section 30 Lots 1-4, E2W2, E2  
The 12.5025% Operating Rights Interest held by WPX Energy Production, LLC under Federal Lease NMNM 036943 above 100' below the stratigraphic equivalent of 5,425' encountered in the Henry AGC Federal #1 well has been conveyed to Dugan Production Corp. under that certain Transfer of Operating Rights dated February 26, 2016, effective February 1, 2016; and subsequently Dugan Production Corp. conveyed fifty percent (50%) of the 12.5025% to Encina Oil & Gas (USA) Inc. under that certain Transfer of Operating Rights dated February 26, 2016, effective February 1, 2016. By Assignment of Oil & Gas Leases dated effective February 1, 2016 recorded in Sandoval County, New Mexico, WPX Energy Production, LLC conveyed the same 12.5025% Operating Rights interest to Dugan Production Corp. and Encina Oil & Gas (USA) Inc.

<sup>24</sup> NMNM 081638 - T23N-R07W Section 19 Lots 1-4, E2W2, NE; Section 20 N2, SE; T23N-R08W, Section 25 NE  
The 24% Operating Rights Interest held by WPX Energy Production, LLC under Federal Lease NMNM 081638 as to T23N-R07W Section 19 Lots 1-4, E2W2, NE; Section 20 N2, SE; T23N-R08W, Section 25 NE, has been conveyed to Dugan Production Corp. under that certain Transfer of Operating Rights dated February 26, 2016, effective February 1, 2016; and subsequently Dugan Production Corp. conveyed fifty percent (50%) of the 24% Operating Rights to Encina Oil & Gas (USA) Inc. under that certain Transfer of Operating Rights dated February 26, 2016, effective February 1, 2016. By Assignment of Oil & Gas Leases dated effective February 1, 2016 recorded in Sandoval and San Juan Counties, New Mexico, WPX Energy Production, LLC conveyed the same Operating Rights interest to Dugan Production Corp. and Encina Oil & Gas (USA) Inc.

<sup>25</sup> NMNM 081638 - T23N-R07W Section 19 SE; Section 20 SW  
The 24.8% Operating Rights Interest held by WPX Energy Production, LLC above and 24% Operating Rights Interest held by WPX Energy Production, LLC below the stratigraphic equivalent of 5,434' encountered in the K2a ACA Federal well under Federal Lease NMNM 081638 as to T23N-R07W Section 19 SE; Section 20 SW, has been conveyed to Dugan Production Corp. under that certain Transfer of Operating Rights dated February 26, 2016, effective February 1, 2016; and subsequently Dugan Production Corp. conveyed 50% of the 24.8% Operating Rights and the 24% Operating Rights respectively to Encina Oil & Gas (USA) Inc. under that certain Transfer of Operating Rights dated February 26, 2016, effective February 1, 2016. By Assignment of Oil & Gas Leases dated effective February 1, 2016 recorded in Sandoval County, New Mexico, WPX Energy Production, LLC conveyed the same Operating Rights interest to Dugan Production Corp. and Encina Oil & Gas (USA) Inc.

<sup>26</sup> NMNM 036943 - T23N-R07W, Section 28 NW, NWNE; Section 28 W2, NE, N2SE; Section 30 Lots 1-4, E2W2, E2  
The 6.25% Operating Rights Interest held by Key Production Company, Inc. above and the 25% Operating Rights held by Key Production Company, Inc. below 100' below the stratigraphic equivalent of 5,425' encountered in the AGC Federal #1 under Federal Lease NMNM 036943 has been conveyed to WPX Energy Production, LLC under that certain Transfer of Operating Rights dated October 2, 2015, approval date unknown; and under that certain Assignment and Conveyance October 2, 2015 recorded in Sandoval County, New Mexico, the same said Operating Rights was conveyed to WPX Energy Production, LLC.

<sup>27</sup> NMNM 081638 - T23N-R07W Section 19 Lots 1-4, E2W2, NE; Section 20 N2, SE; T23N-R08W, Section 25 NE  
The 25% Operating Rights held by Key Production Company, Inc. in Federal Lease NMNM 081638 as to T23N-R07W Section 19 Lots 1-4, E2W2, NE; Section 20 N2, SE; T23N-R08W, Section 25 NE has been conveyed to WPX Energy Production, LLC under that certain Transfer of Operating Rights dated October 2, 2015, approval date unknown; and under that certain Assignment and Conveyance October 2, 2015 recorded in Sandoval and San Juan Counties, NM, the same said Operating Rights was conveyed to WPX Energy Production, LLC.

<sup>28</sup> NMNM 081638 - T23N-R07W Section 19 SE; Section 20 SW  
The 10% Operating Rights Interest held by Key Production Company, Inc. above and the 25% Operating Rights held by Key Production Company, Inc. below the stratigraphic equivalent of 5,454' encountered in the K2a ACA Federal well under Federal Lease NMNM 081638 as to T23N-R07W Section 19 SE; Section 20 SW, has been conveyed to WPX Energy Production, LLC under that certain Transfer of Operating Rights dated October 2, 2015, approval date unknown; and under that certain Assignment and Conveyance dated October 2, 2015 recorded in Sandoval County the same said Operating Rights was conveyed to WPX Energy Production, LLC.