BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF FOREST OIL CORP. FOR APPROVAL OF A SECONDARY RECOVERY PROJECT, EDDY COUNTY, NEW MEXICO. **Case No. 14,157**

AFFIDAVIT OF BRUCE A. RUSH

CITY AND COUNTY OF DENVER)
) ss.
STATE OF COLORADO)

Bruce A. Rush, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am a Senior Landman for Forest Oil Corp. My area of responsibility at Forest Oil Corp. includes Eddy County, New Mexico.

3. I am familiar with leasehold ownership in the State B Lease and the Skelly Unit.

4. State Lease B-2613-7, covering the SE¼ of Section 16, Township 17 South, Range 31 East, N.M.P.M., is referred to within Forest Oil Corp. as the "State B Lease." Forest Oil Corp. owns 100% of the working interest in the State B Lease as to depths from surface to base of San Andres formation feet, which includes the Grayburg-Jackson Pool.

5. Attached as Exhibit A is a plat of the Skelly Unit, a federal unit covering several sections of land in Township 17 South, Range 31 East, N.M.P.M. Attached as Exhibit B is a copy of the Unit Agreement for the Skelly Unit, and attached as Exhibit C is a copy of the Amendment to Unit Agreement for the Skelly Unit.

6. Forest Oil Corp. owns 100% of the working interest in the Skelly Unit as to depths from surface to 5,000' feet, which includes the Grayburg-Jackson Pool.

Bruce A. Rush

SUBSCRIBED AND SWORN TO before me this 21st day of August, 2008 by Bruce A. Rush.

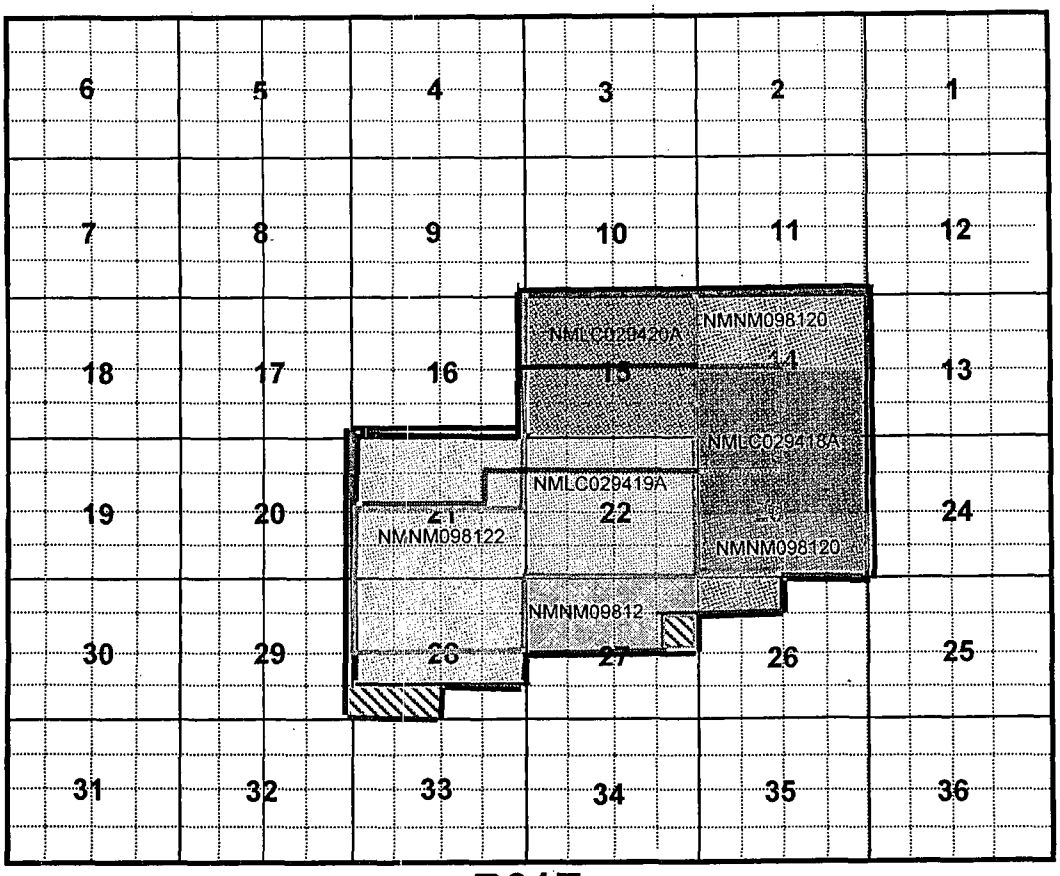
My Commission Expires: _____

GAIL G. FARRELL NOTARY PUBLIC STATE OF COLORADO

My Commission Expires 05/07/2010

Gail G. Farrell
Notary Public

Oil Conservation Division
Case No. _____
Exhibit No. 11



NMNM 071030A PA 10th 2/16/1961
NMNM 071030B PA 03/02/04 INT MORROW
NMNM 071030C PA 3rd Revision EFF 1/1/2005 PADDOCK C
Acrs not listed in the PA but listed in the Unit difference of 120 acres not included in the PA's
Skelly Unit Boundry
NMNM 098120
NMNM 098121
NMNM 098122
NMLC 029418A
NMLC 029419A
NMLC 029420A

NMNM098121 HAS 40 ACRES NOT IN PA
NMNM098122 HAS 80 ACRES NOT IN PA

NO wells in the area's outside the PA

EXHIBIT A

DCA Revised 5/5/06

UNIT AGREEMENT

THIS AGREEMENT, dated the 17th day of December, 1937, by and between SKELLY OIL COMPANY, a corporation, first party, and TRIMAN OIL COMPANY, W. G. SKELLY, C. C. HERNDON and W. E. Z. GERMAN, as second parties, and any other persons or companies consenting hereto,

WITNESSETH:

WHEREAS, oil and gas prospecting permits and leases for lands owned by the United States have been issued pursuant to the Act of Congress approved February 25, 1920 (41 Stat. 437), [illegible] Lynch [illegible] area shown on the map hereto attached and marked Exhibit A;

WHEREAS, the amendatory Act of Congress approved March 4, 1931 (46 Stat. 1523) authorizes permittees and lessees [illegible] representatives to unite with each other or jointly [illegible] with others in collectively adopting and operating [illegible] a cooperative or unit plan of development or operation of any single oil or gas area, field or pool, 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;

WHEREAS, the amendatory Act of Congress approved August 21, 1935 (49 Stat. 674), provides that the Secretary of the Interior for the purpose of more properly conserving the oil or gas resources of any area, field or pool, may require that leases hereafter issued under any section of this Act be conditioned upon an agreement by the lessee to operate under such reasonable cooperative or unit plan for the development and operation of any such area, field or pool as said Secretary

EXHIBIT B

may determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States;

WHEREAS, the Skelly unit area, as hereinafter defined, constitutes a single oil or gas area, field or pool within the meaning of the Acts of March 4, 1931, and August 21, 1935, supra;

WHEREAS, the Government permittees and lessees, or their representatives, hold such a part of the said unit area as will give effective control thereof;

WHEREAS, for the purpose of more properly conserving the oil and gas resources of said area, field or pool, it is necessary, convenient, and advisable in the public interest, for the parties signatory hereto, with the consent of the Secretary of the Interior, to unite in a unit plan of development and operation to promote economical and efficient development, the maximum recovery of oil, gas and associated fluid hydrocarbon substances that may be produced from said unit area, with a view to a fair apportionment of the costs and benefits as between the parties signatory thereto.

NOW, THEREFORE, in consideration of the premises and the promises hereinafter contained, the parties hereto agree severally among themselves, and with the Secretary of the Interior, as follows:

ENABLING ACT AND REGULATIONS

1. That the said Act of February 25, 1920, as amended, and all pertinent regulations heretofore and all pertinent and reasonable regulations hereafter issued thereunder, including operating regulations, are accepted and made a part of this agreement: Provided, that no such regulations hereby accepted shall be inconsistent with the specific terms of the leases or of this agreement, particularly in the matter of rates of royalty and rental, or in conflict with the laws of the State in which the unit area is situated.

UNIT AREA

2. That the following described lands are hereby designated and recognized as constituting the unit area:

All Sections 14, 15, 21, 22 and 23, and the North Half of the Northwest Quarter (N/2 NW/4) of Section 26, and the North Half (N/2) of Section 27, and the North Half (N/2) and the Southwest Quarter (SW/4), and the North Half of the Southeast Quarter (N/2 SE/4) of Section 28, all in Twp. 17S, Rge. 31E, Eddy County, New Mexico.

UNITIZED SUBSTANCES

3. That all oil, gas, natural gasoline, and associated fluid hydrocarbons within the unit area in any and all sands or horizons, hereinafter called unitized substances, are unitized under the terms of this agreement.

OPERATOR

4. That first party, Skelly Oil Company, is hereby designated as the unit operator to conduct and manage the operation of said unit area for the discovery and development of unitized substances as hereinafter provided, and is hereinafter called "Operator." In case the Operator designated in this section shall hereafter cease, discontinue, or relinquish its rights as Operator under this agreement, first and each new Operator, according to their interests in the participating area, shall determine, subject to the approval of the Secretary of the Interior, who shall be the new unit operator hereunder, but the Operator designated herein, or its successors and assigns, shall continue as Operator for a period of three (3) months after notice of such relinquishment, unless the new unit operator shall have been so determined and shall have taken over and assumed the duties and obligations of Operator prior to the expiration of said period.

The right to relinquish all rights as unit operator, as hereinbefore provided, may be exercised whenever Operator is not in default under this agreement.

Relinquishment of Operator's rights, as unit operator, to less than the entire unit area subject to this agreement shall be made only on approval of the Secretary of the Interior, to be given whenever, in the judgment of said Secretary

accomplishment of the purposes of this agreement will not be affected adversely thereby.

Assignment of any right or rights as unit operator shall be subject to approval by the Secretary of the Interior.

The costs and expenses of the development, equipment and operation of the premises for oil and gas purposes shall be borne by the first and second parties, respectively, in proportion to their respective interests in the participating area.

RIGHTS AND OBLIGATIONS OF OPERATOR

5. That the exclusive right and privilege, except as hereinafter specified, of exercising any and all rights of the non-operating (the second) parties, necessary or convenient for prospecting for, producing, and disposing of the unitized substances, are hereby vested in Operator; but, subject to any provision hereof to the contrary, and subject to the prior rights of the United States with respect to royalties due to it in the event of default in their payment, each of the parties of the first and second parts shall be entitled to receive directly payment for his or its respective share, less amounts to be received by the Operator on account of royalties to the United States and overriding royalties to the persons and companies consenting hereto, of the proceeds of the sale of the unitized substances produced, saved and sold from said premises, and all such sales shall be upon joint division orders or contracts of sale executed by the first and second parties hereto; and second parties shall each have the right of access to any of the premises covered hereby at all reasonable times to inspect the logs, samples and cuttings from any and all wells drilled hereunder, and the right to inspect and audit at all reasonable times the Operator's books, records and invoices pertaining to any matter of accounting arising hereunder. Evidence of title of non-operating parties to their rights shall be deposited with Operator and, together with this agreement, shall constitute and define Operator's rights, privileges and obligations in the premises; provided

that nothing herein shall be construed to transfer title to any lands, permits, or leases.

Operator shall pay and discharge all costs and expenses incurred in the conduct and management of the operation and development of said premises under this agreement from and after effective date hereof, and shall charge the second parties hereto with their respective proportionate shares thereof on the basis of the interest of each in the participating area, as set forth in Exhibit A, attached hereto. Each of the parties shall promptly pay and discharge its proportionate part of all such costs and expenses. Operator shall bill the second parties on or before the last day of each month for their proportionate shares of such costs and expenditures during the preceding calendar month. Itemized statements shall accompany such bills. Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the highest legal rate until paid. Payment of any such bill shall not prejudice the right of any party to protest or question the correctness thereof. The Operator shall have a lien on the interest [illegible] of the other parties in the unitized area, and in the well or wells on the premises and in the oil, gas and casinghead gas produced therefrom and in the proceeds of the sale thereof and in the equipment and material on the premises, to secure the payment to the Operator of their proportionate shares of all such costs and expenses incurred or paid by Operator hereunder; and the written order of the Operator served on the purchaser or purchasers of their said respective shares in the oil, gas and casinghead gas shall authorize such purchaser or purchasers to pay the proceeds thereof to the Operator until the Operator shall have been fully reimbursed to date for and on account of such parties' respective shares of such costs and expenses together with the interest thereon, but this remedy shall not be exclusive, and said lien and remedy shall be subordinate to the rights of the United States in respect of its

claims for royalties. Operator, at its election, may require the parties hereto to advance their respective proportions of development and operating costs. Adjustments between advances required and actual costs and expenses shall be made by the Operator at the close of each succeeding calendar month and the accounts of the parties shall be adjusted accordingly.

DRILLING AND DISCOVERY

6. On the unitized area the following discoveries have been made:

Lynch Well No. 1, located about the center of the Northeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 22, Township 17 South, Range 31 East, was commenced June 27, 1926, and drilled to a total depth of 4260 feet and plugged back to a depth of 3811 feet and completed at that depth on October 30, 1927, as a well capable of producing approximately 60 barrels of oil per day, and it was put on the pump for production on or about November 3, 1927, and is now capable of producing approximately 45 barrels per day. Said well has been twice acidized since its completion.

Lea Well No. 1, located about the center of the Northwest Quarter of the Northwest Quarter of Section 23, Township 17 South, Range 31 East, was commenced on or about July 21, 1934, and was drilled to a total depth of 3828 feet and was plugged back to 3811 feet and completed at that depth on or about October 9, 1934, as a well capable of producing approximately 49 barrels of oil per day, and is now capable of producing approximately 27 barrels per day.

Dow Well No. 1, located about the center of the Southwest Quarter of the Southeast Quarter of Section 15, Township 17 South, Range 31 East, was commenced on or about December 13, 1934, and was drilled to a total depth of 3788 feet and was completed at that depth on or about February 21, 1935, as a well capable of producing approximately 24 barrels of oil per day, and said well is now capable of producing approximately 15½ barrels of oil per day.

DEVELOPMENT 7. Prior to drilling any additional wells or within sixty (60) days after demand by the Secretary of the Interior, Operator shall submit for the approval of the Federal Oil and Gas Supervisor a plan for the further development of the unit area, which plan when so approved shall constitute the further drilling obligations of Operator and shall include an adequate and effective well-casing and well-spacing program, shall provide for complete exploration of the unit area under agreement and for the determination of the commercially productive area thereof in each and every productive sand or horizon, shall afford protection to the interests of the parties hereto and of the United States against operations not under this agreement, and shall specify the number of wells proposed to be drilled to production during each calendar year; provided that, upon approval of said supervisor, said plan for further development may be modified from time to time to meet changed conditions and the further drilling obligations shall be conformed thereto. The parties hereto agree that no further wells, except such as may be necessary to afford protection against operations not under this agreement, shall be drilled until such plan of development shall have been approved in writing by the said supervisor, and that all drilling requirements of permits, leases, operating agreements, or other contracts affecting the unit area subject to this agreement are hereby modified to conform to and be satisfied by the drilling requirements of this agreement.

PARTICIPATION 8. The parties herewith submit for approval by the Secretary of the Interior a schedule of lands, Exhibit A, attached hereto, based on aliquot parts of subdivisions of the public-land survey, which covers all lands within the unit area subject to this agreement which are now regarded as reasonably proved to be commercially productive of oil or gas; all lands in said schedule on approval by said Secretary to constitute a participating area, effective as of

the date of approval hereof. (See Exhibits A and A-1). Said schedule sets forth the ownership of operating rights to all lands included therein and the percentage interest of each owner in the total participating area subject to this agreement. Such percentage interest shall govern the participation of the owner in costs and benefits of operation from and after the date the participating area becomes effective. The participating area so established shall be revised from time to time, upon application by Operator or on the demand of the Secretary of the Interior, and subject to the approval of the Secretary of the Interior, to include additional lands regarded as reasonably proved to have become commercially productive or to exclude lands regarded as reasonably proved not to be commercially productive, and a new schedule of percentage interests conformable thereto shall thereupon be fixed. No land shall be excluded from the participating area on account of depletion of the unitized substances.

It is the intent of this section that the participating area shall at all times represent the area known or reasonably proved to be commercially productive but regardless of any change or decrease of the participating area, nothing herein contained shall be construed as requiring any retroactive apportionment of any sums accrued or paid for production obtained prior to the effective date of revision of the participating area, such date to be the first day of the month next following the date of first authentic knowledge of information on which such revision is predicated.

In the absence of agreement at any time between the Operator and the Secretary of the Interior as to the proper definition of the participating area, the portion of all payments affected by such absence of agreement shall be impounded in a mutually acceptable bank pending final action.

ALLOCATION OF PRODUCTION

9. That all unitized substances produced from the participating area subject to this agreement except any part thereof used for production and develop-

ment purposes hereunder, or unavoidably lost, shall be apportioned among and allocated on an acreage basis to the several tracts of land comprising said area; and each such tract shall have allocated to it such percentage of said production as its area bears to said participating area.

DEVELOPMENT OR OPERATION BY SECOND PARTIES

10. That any party hereto owning or controlling a majority interest of the operating rights in any tract included in the non-participating area having thereon a regular well location in accordance with the approved well spacing program may drill a well at such location at his own expense, unless operator elects and commences to drill such well within ninety (90) days of receipt of notice from said party of his intention to drill the well.

If such well, drilled at the expense of said party, results in production such that the land upon which it is situated may properly be included in the participating area, said party shall be reimbursed one hundred per cent (100%) of the average cost of drilling similar producing wells in the participating area subject to this agreement and appropriate revision shall be made of the participating area.

If any well drilled on the non-participating area by Operator or by said party obtains production insufficient to justify inclusion in the participating area of the land on which said well is situated, said party at his election, within thirty (30) days after determination of such insufficiency, shall be wholly responsible for and may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by Operator, said party shall pay the Operator a fair salvage value price for the casing and other equipment left in the well.

Wells drilled at the sole expense of any party or produced at his sole expense and for his sole benefit, shall be subject to the drilling and producing requirements of this

agreement the same as though drilled or produced by Operator; and royalties in amount or value of production from any such well on land of the United States shall be paid as specified in the permit or lease affected, unless otherwise authorized in writing by the Secretary of the Interior.

RENTAL AND ROYALTY PAYMENTS

11. That Operator, on behalf of the respective permittees and lessees, shall pay all rentals and royalties due the United States on account of lands subject to this agreement and shall distribute the cost thereof to the parties conformably with their respective rental and royalty obligations. On request of any second party, Operator shall pay other royalties on his behalf in accordance with a schedule furnished by him and charge the cost thereof to his account; provided, that Operator shall incur thereby no responsibility to any royalty owner, but such responsibility shall be and remain an obligation of the second parties. Payments to the parties hereto and the persons and companies consenting hereto shall be made as provided in existing contracts except that such payments shall be based on production allocated to land in which they have an interest instead of on production obtained from the land, or for a statement or a consolidation of the overriding royalty interests of the persons and companies consenting hereto see Exhibit B.

GOVERNMENT ROYALTIES AND RENTALS

12. That royalty to the United States shall be paid at the rates specified in the respective Federal permits or leases based on the amount of production allocated to the tracts thereof; provided that, for leases in which the royalty rate on oil depends on the average daily oil production per well, the royalty rate for each such lease in each participating area shall be determined by the average daily production of the oil wells subject to this agreement producing from that participating area, and for leases in which the royalty rate on gas depends on the average daily gas production per well, the royalty rate for each such lease in

each participating area shall be determined by the average daily production of gas per well from the wells subject to this agreement producing from that participating area.

Rental for lands of the United States subject to this agreement at the rates specified in the respective Federal leases shall be paid or suspended as determined by the Secretary of the Interior, pursuant to applicable law and regulations, anything in this agreement to the contrary notwithstanding.

CONSERVATION 13. That operations shall be conducted so as to provide for the most economical and efficient recovery of unitized substances, to the end that maximum ultimate yield may be obtained without waste. For the purpose of more properly conserving the natural resources of the lands embraced within this agreement, the production of unitized substances shall at all times be without waste as defined by State or Federal law, shall be limited to such production as can be put to beneficial use with adequate realization of the values and in the discretion of the Secretary of the Interior shall be limited by the beneficial demand as determined by the Secretary for gas or for oil, whichever would tend to restrict the productive production of either oil or gas.

DRAINAGE 14. That Operator shall take appropriate and adequate measures to prevent drainage of oil or gas from lands subject to this agreement by wells on lands not subject to this agreement, or, with approval of the Secretary of the Interior, pay a fair and reasonable compensatory royalty as determined by the Federal oil and gas supervisor.

LEASES CONFORMED TO AGREEMENT 15. The parties hereto holding leases or permits embracing lands of the United States subject to this agreement, and the persons and companies consenting hereto, consent that the Secretary of the Interior shall, and said Secretary by his approval of this agreement does, establish, alter, change, or revoke the drilling, producing, and

royalty requirements of such leases and permits and the regulations in respect thereof, to conform said requirements to the provisions of this agreement.

The Secretary of the Interior further agrees and consents that during the effective life of this agreement, the prospecting, drilling, and producing operations performed by the unit operator upon any lands subject hereto will be accepted and deemed to be operations under and for the benefit of all such leases; that suspension of operations or production on any such lease shall be deemed not to have occurred if there be operations or production on any part of the unit area subject to this agreement; that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced, and that suspension of all operations and production in the unit area pursuant to direction or consent of said Secretary shall be deemed to constitute such suspension pursuant to such direction or consent with respect to each such lease.

EXTENSION OF PERMITS AND ISSUANCE OF LEASES.

5. All agreements among the parties hereto and companies consenting hereto are hereby modified to extent they conflict with this agreement so that this Agreement shall prevail.

6. The Secretary of the Interior as evidenced by his approval of this agreement, consents and agrees that as to the lands of the United States within the unit area:

(1) Compliance with the terms of this agreement shall be deemed to be compliance with the applicable conditions of prior extensions of oil and gas prospecting permits subject hereto that were conditionally extended to December 31, 1937, by Act of Congress approved August 21, 1935, supra.

(2) Oil and gas prospecting permits subject to this agreement and in good standing thereunder, expiring on or before December 31, 1937, shall be and they are hereby

extended to said date subject to compliance with the terms of this agreement by and on behalf of the permittee.

(3) When any oil and gas prospecting permit has been determined by said Secretary to have been, on or before its date of expiration, wholly or in part within the limits of any producing oil or gas field to which this agreement shall pertain, which permit has been included in this agreement, on prompt and proper application therefor a lease or leases in conformity with ~~the provisions~~ of the Act of February 25, 1920, as amended, supra, will be issued for the area of the permit included in this agreement without further proof of discovery.

COVENANTS RUN WITH LAND. 17. That the covenants herein shall run with the land until this agreement terminates, and any grant, transfer or lease of interests in lands, permits, or leases hereby committed shall be burdened with the assumption of all obligations hereof by the grantee, transferee, lessee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the

EFFECTIVE DATE. 18. That this unit plan shall become effective on the first of the calendar month next following approval by the Secretary of the Interior and shall remain in effect so long thereafter as oil or gas can be produced in paying quantities or until it is proved that the unitized land is no longer capable of commercial production of oil or gas and, with approval of the Secretary of the Interior, notice of termination for non-productivity is given by Operator to all parties in interest, provided, that this agreement may be terminated at any time by unanimous consent of the first and second parties hereto with approval of the Secretary of the Interior.

RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. 19. That all production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized

person or regulatory body under any Federal or State statute; provided, that the Secretary of the Interior is vested with authority, pursuant to the amendatory Acts of March 4, 1931, and of August 21, 1935, 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, 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.

DETERMINATIONS BY OPERATOR AND REVIEW THEREOF

20. That Operator shall determine the date of first authentic knowledge of information on which revision of any participating area shall be predicated, shall determine whether any well, horizon, land, or area subject to this agreement is proved or regarded as reasonably proved to be or to have been commercially productive or non commercially productive, it being understood and agreed that commercial productivity shall be the productivity of a well estimated to be sufficient to return normal drilling and production costs under wise and skillful management, and shall determine other matters involved in this agreement for which a different method of determination is not herein established; Provided, that Operator shall give timely notice of all such determinations to all interested parties, including the Secretary of the Interior; Provided, further, that all such determinations may be reviewed by the Secretary of the Interior on his own initiative or on written request of any interested party, notice of any such review to be given to all interested parties, including Operator, within sixty (60) days after receipt of notice of Operator's determination; and Provided, further, that any matters so reviewed, on request or consent of Operator, may be submitted to a committee of three competent persons appointed by said Secretary, one on nomination of Operator, one on nomination of the second parties (Skelly Oil Company to become a second party for this purpose if it should cease to be

the Operator), and the third on nomination of the first two, the cost of such committee to be a cost of operation and its report (which shall be binding on the committee when concurred in by any two of its members) to be submitted to said Secretary and copies thereof by him to Operator and other interested parties; and Provided, further, that opportunity shall be given in said review for all first and second parties to present their contentions and supporting evidence by written or oral communication to said committee or said Secretary, and that after consideration of all credible evidence said Secretary shall render a reasonable decision based thereon and in conformity therewith, which decision, so made and rendered, shall be final and binding on all parties hereto and those consenting hereto.

COUNTERPARTS. It is agreed that this agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document.

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

DATE OF EXECUTION

Sec. 25 and W/2 of Sec. 27, T. 17S., R. 28E Dec. 20 1947

SEALY OIL COMPANY

By [signature]
Vice President

Attest:

[signature]
Assistant Secretary

Witnesses:

Hal G Sicker

Beulah

FIRST PARTY

DESCRIPTION OF LAND:	DATE OF EXECUTION:	
Secs. 15 and 21, and N2 and SW4 and N2 SE4 Sec. 28, T. 17S, R. 31E.	Dec. 17, 1937	TRIMAN OIL COMPANY By [signature] Vice-President Attest: [signature] Asst. Secretary Witness: [signature] [signature] [signature] (W. O. Skelly) Witness: [signature] [signature] [signature] (W. G. Herndon) Witness: [signature] [signature] [signature] (W. P. L. German) Witness: [signature] [signature] SECOND PARTIES
W. half of Section 14, and N. and N2 SW4 of Sec. 23 T. 17S. R. 31E.	Dec. 17, 1937	
[illegible]	Dec. 17, 1937	
[illegible]	Dec. 17, 1937	

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witnesses:

(Name)

(Address)

(Name)

(Address)

(Name)

(Address)

(Name)

(Address)

CONSENTING PARTIES

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witness:

_____ (Daniel K. Arrick)

_____ (H. E. Yates)

_____ (Martin W. Bingham, Jr.)

_____ (H. E. Yarbrough)

_____ (C. H. Keene)

_____ (Charles B. Read)

_____ (Cox Royalties Corporation)

_____ (O. C. Hinkle)

_____ (J. A. Andrews)

Consenting Parties

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witness: [illegible]

________________ (Harlan [illegible] Lynch)

________________ ([illegible])

________________ ([illegible])

________________ ([illegible], Inc.)

THE [illegible] COMPANY

[illegible] Treasurer. By: [illegible]

([illegible]) President

________________ (Paul [illegible])

________________ (Charles [illegible] [illegible])

________________ (Oil Royalties Corporation)

________________ ([illegible]. C. Higgins)

________________ ([illegible]. A. Andrews)

CONSENTING PARTIES

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the statutory authority in the Secretary of the Interior, under the Act approved March 4, 1931, (46 U. S. Statutes at Large, 1523) and the Act approved August 21, 1935, (49 U. S. Statutes at Large 674) amending the Act approved February 25, 1920 (41 U. S. Statutes at Large, 437), in order to secure the proper protection of the public interest, I, HAROLD L. ICKES, Secretary of the Interior, this 24th day of Feb., 1936, hereby take the following action:

A. Approve the attached agreement entered into between Skelly Oil Company and others subscribing thereto.

B. Determine and certify that the plan of development and operation of the Skelly Unit Area, New Mexico, contemplated in said agreement is for the purpose of more properly conserving the oil [illegible] resources of said field and is necessary and advisable [illegible] the public interest.

[illegible] that each and every lease heretofore or hereafter [illegible] for a period of twenty years for lands of the United States [illegible] to said agreement, from the effective date thereof, and concurrently therewith, shall be modified to conform with this agreement and shall be continued in force beyond the twenty years specified in the lease, and until the termination of said agreement.

Harold L. Ickes

Secretary of the Interior

EXHIBIT B

PROPORTIONATE OVERRIDING ROYALTY OWNERSHIP UNDER PROPOSED PARTICIPATING AREA OF SKELLY UNIT AREA.

BEULAH V. LYNCH LEASE #3622,
J. S. LEA PERMIT #029418, and
HIRAM M. DOW PERMIT #029420,
EDDY COUNTY, NEW MEXICO

Beulah V. Lynch	120/585 of 7½%	Roswell, New Mexico
J. S. Lea	160/585 of 7½%	Roswell, New Mexico
Hiram M. Dow	48/585 of 7½%	Roswell, New Mexico
Marshall & Winston, Inc.	72/585 of 7½%	480 I. W. Hellman Bldg. Los Angeles, Calif.
S. S. Sherman	12/585 of 7½%	1401 E. 12th Avenue Denver, Colorado
Paul McCune	2/585 of 7½%	Fort Worth, Texas (Burkburnett Bldg.)
Charles M. Rath	2/585 of 7½%	1254 Cook St., Denver, Colorado
Oil Royalties Corporation	22/585 of 7½%	826 I. N. Van Nuys Bldg. Los Angeles, Calif.
E. C. Higgins	30/585 of 7½%	Artesia, New Mexico
F. A. Andrews	72/585 of 7½%	233 S. Van Ness Ave., Los Angeles, Calif.

540/585 of 7½%

AMENDMENT TO UNIT AGREEMENT

STATE OF NEW MEXICO
COUNTY OF EDDY

WHEREAS, Skelly Oil Company, among others, entered into a Unit Agreement, being Contract No. I-Sec. No. 276, ("Skelly Unit Agreement") dated December 17, 1937, which was approved by the Secretary of the Interior on February 24, 1938, for the development of the Skelly Unit;

WHEREAS, Texaco Exploration and Production Inc., now as Operator and sole working interest owner under the Skelly Unit Agreement, desires to amend said Unit Agreement in order to enhance the development of certain deep rights thereunder;

NOW THEREFORE, Texaco Exploration and Production Inc. amends the Skelly Unit Agreement, only insofar as it applies to unitized lands below the stratigraphic equivalent of the base of the San Andres formation (found at the depth of 4918 feet subsurface as reflected by the Electrical log on Texaco's Skelly Unit No. 11 Well located 1980 feet FSL and 660 feet FEL, Section 21 , Township 17 South, Range 31 East, NMPM), by replacing Paragraphs 8 and 9 of the Skelly Unit Agreement with Paragraphs 8 and 9 below, in order to enhance development of said deep rights:

8. PARTICIPATION AFTER DISCOVERY.

Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Unit Operator shall submit for approval by the AO, a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 9, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as reasonably proved not be to productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicted; provided, however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement

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EXHIBIT C

shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

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

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

9. ALLOCATION OF PRODUCTION.

All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations which 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 of the participating area established for such production. For the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that 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, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from

which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

The Skelly Unit Agreement shall remain in full force and effect as to all of its provisions with respect to rights above the base of the San Andres formation (as described above) and, except as amended hereby, shall remain in force and effect as to rights below the base of the San Andres formation (as described above).

This amendment in no way changes the contractual relationship between Texaco Exploration and Production Inc. and any of the overriding royalty owners under any of the oil and gas leases which are subject to the Skelly Unit.

Texaco Exploration and Production Inc. submits this Amendment to the Authorized Officer of the Secretary of the Interior for approval, effective for all purposes the 1st day of November, 1994.

TEXACO EXPLORATION AND PRODUCTION INC.

By: E. L. Johnson, Jr.

Title: Attorney-in-Fact

Date: November 8, 1994

APPROVED
DEC 15 1994
Tony L. Ferguson
AUTHORIZED OFFICER, MINERALS
BUREAU OF LAND MANAGEMENT