

c/SF

STATE OF NEW MEXICO

COUNTY OF EDDY

DESIGNATION OF POOLED UNIT

WHEREAS, the undersigned are the owners of the oil, gas and mineral leases described in Exhibit "A" hereto;

*MS.*

WHEREAS, under the provisions of the leases described in Exhibit "A", the owners thereof have the right and power to pool and combine the lands covered thereby to create an operating unit;

WHEREAS, the leases provide that upon exercising said right and power, there shall be executed and filed for record a written designation of such unit with a description of the unit so created.

NOW, THEREFORE, the undersigned execute this instrument as a formal declaration that the leases described in Exhibit "A" hereto, insofar as they cover the respective lands designated therein, are hereby combined and pooled to create the following described unit;

Township 18 South, Range 26 East N.M.P.M.  
Section 29: S/2  
Eddy County, New Mexico

*Case 11573*

as to all oil, gas and minerals produced from the Morrow formation.

This instrument may be executed in any number of counterparts, each one of which shall be considered an original, no one of which needs to be executed by all parties, and shall be binding upon all parties who have executed such a counterpart.

Executed as of this 9th day of August, 1996.

CHI ENERGY, INC.

By: *William R. Bergman*  
William R. Bergman  
Vice President

RECEIVED  
AUG 14 1996

ATLANTIC RICHFIELD COMPANY

By: *McCallum*  
Title: *Attorney-in-Fact*

ATL. CON. DIV.  
POST. 2

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on the 9th day of August, 1996 by William R. Bergman, Vice President on behalf of Chi Energy, Inc., a Texas corporation on behalf of said corporation.

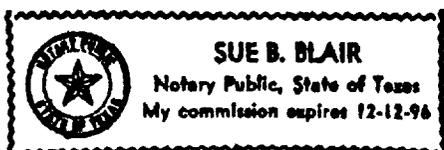
*[Signature]*  
Notary Public, State of Texas

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on the 12th day of August, 1996 by *T.L. Holland*, *Attorney-in-Fact* of Atlantic Richfield Company, *Delaware* corporation, on behalf of said corporation.

*Sue B. Blair*  
Notary Public, State of Texas



**EXHIBIT "A"**

Attached to and made a part of that Designation of  
Pooled Unit dated August 9, 1996, consisting of:

T-18S-R-26E-Sec. 29: S/2  
Eddy County, New Mexico

**OIL AND GAS LEASES**

Date	Lessor	Lessee	Lease Records	In Section 29 Lands Covered
	Atlantic Richfield Company (Mineral Owner)			W/2SW/4
7/11/96	Kerr-McGee Corp.	Chi Energy, Inc.	Bk 256, Pg 1022	W/2SW/4
6/01/96	Panhandle Royalty Co.	Chi Energy, Inc.	Bk 252, Pg 672	W/2SW/4
6/01/96	Sally H. Contant Trust	Chi Energy, Inc.	Bk 251, Pg 720	E/2SE/4
6/01/96	Paul B. Humphreys	Chi Energy, Inc.	Bk 251, Pg 723	E/2SE/4
2/15/96	Barbara E. Hannifin	Chi Energy, Inc.	Bk 250, Pg 810	E/2SW/4, W/2SE/4
2/15/96	Margaret H. Wygocki	Chi Energy, Inc.	Bk 250, Pg 808	E/2SW/4, W/2SE/4
2/15/96	Estate of Ralph Nix	Chi Energy, Inc.	Bk 250, Pg 797	E/2SW/4, W/2SE/4
2/15/96	Frances Nix	Chi Energy, Inc.	Bk 250, Pg 800	E/2SW/4, W/2SE/4
2/15/96	Sharbro Oil Ltd. Co. & Lillie M. Yates Estate	Chi Energy, Inc.	Bk 250, Pg 822	E/2SW/4, W/2SE/4
2/15/96	Loneta S. Curtis Living Trust	Chi Energy, Inc.	Bk 250, Pg 835	E/2SW/4, W/2SE/4
2/15/96	Robert H. Hannifin	Chi Energy, Inc.	Bk 250, Pg 817	E/2SW/4, W/2SE/4
2/15/96	P.J. Hannifin Family Trust	Chi Energy, Inc.	Bk 250, Pg 803	E/2SW/4, W/2SE/4
2/15/96	Betty Adkins	Chi Energy, Inc.	Bk 250, Pg 813	E/2SW/4, W/2SE/4
2/15/96	Kathryn McCormick	Chi Energy, Inc.	Bk 250, Pg 815	E/2SW/4, W/2SE/4