

WLH:hfm
1-63

2778

UNIT AGREEMENT
CENTRAL TOTAH UNIT
SAN JUAN COUNTY, NEW MEXICO

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL TOTAH UNIT AREA
SAN JUAN COUNTY
STATE OF NEW MEXICO

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
	Preliminary Recitals	1
1	ENABLING ACT AND REGULATIONS	2
2	UNIT AREA	2
3	EXHIBITS AND DEFINITIONS	2
	(a) Exhibits	2
	(b) Working Interest	3
	(c) Royalty Interest	3
	(d) Royalty Owner	3
	(e) Working Interest Owner	3
	(f) Tract	3
	(g) Unit Operating Agreement	3
	(h) Unit Operator	3
	(i) Tract Participation	3
	(j) Unit Participation	3
	(k) Outside Substances	4
	(l) Oil and Gas Rights	4
	(m) Unit Operations	4
	(n) Unit Equipment	4
	(o) Unit Expense	4
	(p) Singular and Plural-Gender	4
4	EXPANSION	4
5	UNITIZED LAND AND UNITIZED SUBSTANCES	5
6	UNIT OPERATOR	6
7	RESIGNATION OR REMOVAL OF UNIT OPERATOR	6
8	SUCCESSOR UNIT OPERATOR	7
9	ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT	8
10	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	8
11	PLAN OF OPERATION	9
12	DUAL COMPLETION WELLS	10
13	PARTICIPATION AND ALLOCATION OF PRODUCTION	11
14	OIL IN LEASE TANKS	13

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
15	PARTICIPATING TRACTS	14
16	ROYALTIES AND RENTALS	16
17	CONSERVATION	17
18	DRAINAGE	17
19	LEASES AND CONTRACTS CONFORMED AND EXTENDED	17
20	COVENANTS RUN WITH LAND	19
21	EFFECTIVE DATE AND TERM	20
22	RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION	20
23	LAWS AND REGULATIONS	21
24	APPEARANCES	21
25	NOTICES	21
26	NO WAIVER OF CERTAIN RIGHTS	21
27	UNAVOIDABLE DELAY	21
28	NON-DISCRIMINATION	22
29	LOSS OF TITLE	22
30	NON-JOINDER AND SUBSEQUENT JOINDER	23
31	DRILLING OTHER THAN TO UNITIZED FORMATIONS	24
32	CONFLICT OF SUPERVISION	24
33	COUNTERPARTS	24
34	ROYALTY OWNERS' TAXES	25
35	NO PARTNERSHIP	25
36	EXPIRATION FOR NON-EXECUTION	25
37	BORDER AGREEMENTS	25
38	JOINDER OF TENNECO OIL COMPANY	26
39	CORRECTION OF ERRORS	26

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL TOTAH UNIT AREA
COUNTY OF SAN JUAN,
STATE OF NEW MEXICO

THIS AGREEMENT, entered into as of the first day of October, 1962, by
and between the parties subscribing, ratifying, or consenting hereto, and
herein referred to as the "parties hereto,"

W I T N E S S E T H :

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 Stat. 437,
as amended, 30 U.S.C. Secs. 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 under a cooperative or
unit plan of development or operation of any oil or 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 Oil Conservation Commission of the State of New Mexico
(hereinafter referred to as "the Commission") is authorized by an Act of
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14, N. M. Statutes
1953 Annotated) to approve this agreement and the conservation provisions
hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Central
Totah 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 institute a program
of pressure maintenance, conserve natural resources, prevent waste, and se-
cure 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 here- 1
in contained, the parties hereto commit to this agreement their respective 2
interests in the Unit Area and agree severally among themselves as follows: 3

1. ENABLING ACT AND REGULATIONS, The Mineral Leasing Act of February 4
25, 1920, as amended, supra, and all valid pertinent regulations including 5
operating and unit plan regulations, heretofore issued thereunder or valid, 6
pertinent, and reasonable regulations hereafter issued thereunder are ac- 7
cepted and made a part of this agreement as to Federal lands, provided such 8
regulations are not inconsistent with the terms of this agreement; and as to 9
non-Federal lands, the oil and gas operating regulations in effect as of the 10
effective date hereof governing drilling and producing operations, not incon- 11
sistent with the terms hereof or the laws of the State in which the non- 12
Federal land is located, are hereby accepted and made a part of this agree- 13
ment. 14

2. UNIT AREA. The area specified on the map attached hereto marked 15
Exhibit "A" is hereby designated and is recognized as constituting the Unit 16
Area, containing 3195.24 acres, more or less. 17

3. EXHIBITS AND DEFINITIONS. 18

(a) Exhibit "A" shows, in addition to the boundaries of the Unit 19
Area, the boundaries and identity of tracts and leases in said area to 20
the extent known to the Unit Operator. Exhibit "B" attached hereto is 21
a schedule showing to the extent known to the Unit Operator the acreage, 22
percentage, and kind of ownership of oil and gas interests and the per- 23
centages of participation each tract has in the Unit Area. However, 24
nothing herein or in said schedule or map shall be construed as a re- 25
presentation by any party hereto as to the ownership of any interest 26
other than such interest or interests as are shown in said map or sched- 27
ule as owned by such party. Exhibits "A" and "B" shall be revised by 28
Unit Operator whenever changes in the Unit Area render such revision 29
necessary, or when requested by the Oil and Gas Supervisor, hereinafter 30
referred to as "Supervisor", and not less than six (6) copies of the 31
revised exhibits shall be filed with the Supervisor and copies thereof 32

shall be filed with Oil Conservation Commission of the State of New Mexico, same being hereinafter referred to as "Commission."

(b) Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation.

(c) Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

(d) Royalty Owner means a party hereto who owns a Royalty Interest.

(e) Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(f) Tract means each parcel of land described as such and given a Tract number in Exhibit "B."

(g) Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, Central Totah Unit, San Juan County, New Mexico," of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

(h) Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

(i) Tract Participation means the percentage shown on Exhibit "B" for allocating Unitized Substances to a Tract under this agreement.

(j) Unit Participation of each Working Interest Owner means the

sum of percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(k) Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

(l) Oil and Gas Rights means the right to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(m) Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

(n) Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(o) Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

(p) Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural include the singular, and the neuter gender includes the masculine and the feminine.

4. EXPANSION. The above-described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) At the instigation of two (2) or more Working Interest Owners concurred in by the Unit Operator where such parties collectively own an

aggregate of at least seventy-five per cent (75%) voting interest here- 1
of and after preliminary concurrence by the Director of the Geological 2
Survey (which party is hereinafter referred to as "Director"), Unit 3
Operator shall prepare a notice of proposed expansion describing the 4
contemplated changes in the boundaries of the Unit Area, the reasons 5
therefor, the percentage of participation applicable to each tract in 6
the expanded Unit Area, and the proposed effective date thereof, pref- 7
erably the first day of a month subsequent to the date of notice. 8

(b) Said notice shall be delivered to the Supervisor and the Com- 9
mission, and copies thereof mailed to the last known address of each 10
Working Interest Owner, lessee, and lessor whose interests are affected, 11
advising that thirty (30) days will be allowed for submission to the 12
Unit Operator of any objections. 13

(c) Upon expiration of the thirty (30) day period provided in the 14
preceding Item (b) hereof, Unit Operator shall file with the Supervisor 15
and the Commission evidence of mailing of the notice of expansion and 16
a copy of any objections thereto which have been filed with the Unit 17
Operator, together with an application in sufficient number, for ap- 18
proval of such expansion and with appropriate joinders. 19

(d) After due consideration of all pertinent information, the ex- 20
pansion shall, upon approval by the Director and the Commission, become 21
effective as of the date prescribed in the notice thereof. 22

(e) In the event of such a subsequent enlargement, there shall be 23
no retroactive adjustment of past revenue from production. 24

5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous sub- 25
stances, sulphur contained in gas, condensate, distillate and all associated 26
and constituent liquid or liquefiable hydrocarbons within or produced from 27
the lands now or hereafter committed to this agreement, as to the Totah Gal- 28
lup Sand, are unitized under the terms of this agreement and are herein called 29
"Unitized Substances," and said lands shall constitute land referred to here- 30
in as "Unitized Land" or "Land Subject to this Agreement." 31

The Totah Gallup Sand includes all of the formation known as the Gallup, 32

the vertical limits of which range from 5246' to 5732' as shown on the Electric Log of Tenneco's Callow No. 11 and from 5362' to 5854' as shown on the Electric Log of Aztec's Hagood No. 3-D. The vertical limits of the proposed unit are from approximately sub-sea datum depth of \neq 560' to \neq 60'.

6. UNIT OPERATOR. Tenneco Corporation (acting by its Managing Agent, Tenneco Oil Company) is 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 production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such interest is owned by it.

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

The resignation of Unit Operator shall not release Unit Operator from any liability 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 Interest determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and Commission.

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 the performance of the duties of Unit Operator and shall, not later than thirty (30) days before such resignation or removal become effective, appoint a common agent to represent them in any action to be taken hereunder.

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 interests 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 and owned by the Working Interest Owners to the newly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least eighty per cent (80%) of their voting interests, based on the then current percentage participation assigned to tracts in the Unit Area, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a voting interest of more than twenty per cent (20%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty per cent (80%) or more of the voting interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself and its voting interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until:

- (a) A Unit Operator so selected shall accept the duties and responsibilities of Unit Operator, and confirm same in writing, and

(b) The selection shall have been filed with the Director and Commission. 1
2

If no successor Unit Operator is selected and qualified as herein provided, the Director and the Commissioner at their election, may declare this unit agreement terminated. 3
4
5

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All 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 Interest, all in accordance with the Unit Operating Agreement entered into by and between the Unit Operator and the owners of Working Interests, whether one or more, separately or collectively. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify 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 the Unit Agreement and the Unit Operating Agreement, the Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor and one (1) copy with the Commission, prior to approval of this unit agreement. 6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances and for conducting pressure maintenance and related operations are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of 26
27
28
29
30
31
32

title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified. Unit Operator shall not be liable to the parties hereto for damages resulting from or attributable to unit operations unless such damage results from the gross negligence or willful misconduct of Unit Operator.

11. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that the Unit Area is already developed and productive, and no further drilling is contemplated except such as may be incidental to carrying out an injection program.

Inasmuch as the primary purpose of this Unit Agreement is to permit the institution and consummation of a pressure maintenance program for the maximum economic production of Unitized Substances consistent with good engineering and conservation, Unit Operator shall submit to the Supervisor and Commission for approval, a plan of operation for the Unitized Land concurrently with the filing of this Unit Agreement for final approval, and upon approval thereof by the Supervisor and Commission such plan shall constitute the further operating obligations of the Unit Operator under this Unit Agreement for the period specified therein. The location of input wells and the rates of injection therein, and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation; said plan or plans shall be modified or supplemented when necessary to meet changed conditions. Reasonable diligence shall be exercised in complying with the obligations of any approved plan of operation.

After commencement of secondary operations, the Unit Operator shall furnish the Supervisor and the Commissioner periodic (monthly if requested) injection

and production reports for each well in the unit.

Unit Operator shall have the right to inject into the Totah Gallup Sand any substances for pressure maintenance purposes in accordance with a plan of operation approved by the Supervisor and Commission, including the right to drill and maintain injection wells on Unitized Land and to use abandoned or producing Totah Gallup Sand wells for injection or production purposes; and the parties hereto, insofar as they have the right to do so, hereby grant unto Unit Operator the right to use so much of the surface of the Unitized Land as may be reasonably necessary relative to the injection and pressure maintenance program.

12. DUAL COMPLETION WELLS. Recognition is given to the fact that there are wells in the Unit Area completed in the Unitized Zone and which are additionally completed in formations other than in the Unitized Zone and it is intended that those well facilities and equipment which are used in connection with the Unitized Substances or for pressure maintenance purposes on the one hand and those used in connection with production from non-Unitized Zones on the other shall be conducted and operated so that there will be no disruption, damage or injury to either; and that the parties presently owning and operating such wells into or in relation to a non-Unitized Zone shall continue to operate same as to such non-Unitized Zone and the well or wells and equipment connected therewith subject to the paramount right of the Unit Operator to possess, operate and produce from the Unitized Zone and to continue pressure maintenance operations on such well as contemplated hereunder as to the Unitized Zone; provided, however, that in no event shall such a dually completed well which is completed in a non-Unitized Zone and which is capable of producing therefrom in commercial quantities on the effective date hereof be hindered or precluded from producing therefrom by operations hereunder.

The Unit Operator in its representative capacity for the Working Interest Owners on the one hand and the Operator on a non-Unitized Zone on the other hand agree to indemnify the other against damages or losses resulting from the acting parties' operation in connection with each such well. In order

to insure maximum coordination and cooperation between such parties and to
mitigate any potential liability in this connection, it is expressly agreed
that advance written notice indicating the nature of the proposed work in
reasonable detail shall be given the other interested party or parties by
the party intending to work on a dually completed well, whether in the Unit-
ized or non-Unitized Zone, and if the proposed work and the manner of per-
forming same is not objected to and supported by reasonable and valid rea-
sons for such objections delivered in writing within fifteen (15) days after
receipt thereof, then the proposed plan shall be regarded as an acceptable
one, and, where employed and executed in a good and workmanlike manner or as
there prescribed, there shall be no liability to the party conducting such
operations.

Nothing contained in this Paragraph 12 shall be construed or regarded as
relieving any party from any gross negligence or willful misconduct nor shall
same be regarded as limiting or as a limiting factor upon any commitment here-
under of property, material, equipment and rights of any party whether now or
subsequently committed hereto either with or without specific compensation or
reimbursement attributed thereto.

13. PARTICIPATION AND ALLOCATION OF PRODUCTION. For the purpose of
determining any benefits in production accruing under this agreement, each
tract committed hereto shall have allocated to it the proportion of all Unit-
ized Substances produced from the Unitized Land to which it is entitled under
the following formula (except any part thereof used in conformity with good
operating practices within the Unit Area for drilling, operating, camp and
other production or development purposes, for pressure maintenance operations
in accordance with a plan of operation approved by the Supervisor and Commis-
sion, or unavoidably lost). Tract participation shall equal the sum of the
following five (5) factors: (1) 70% of: Tract developed acre feet of Gallup
Sand (as a numerator) over Unit developed acre feet of Gallup Sand (as a
denominator); (2) 5% of: Tract undeveloped acre feet of Gallup Sand (as a
numerator) over Unit undeveloped acre feet of Gallup Sand (as a denominator);
(3) 10% of: Tract cumulative production to August 1, 1962 (as a numerator)
over Unit cumulative production to August 1, 1962 (as a denominator); (4) 7.5%

of: Tract December 1961 allowable production (as a numerator) over Unit December 1961 allowable production (as a denominator); (5) 7.5% of: Tract production May, June, and July 1962 (as a numerator) over Unit production May, June, and July 1962 (as a denominator). The amount of such Unitized Substances allocated to each tract shall be conclusively deemed to have been produced from such tract irrespective of the location of the wells from which the same is produced in fact and regardless of depletion of wells or tracts. If any oil or gas rights in a tract set forth on Exhibit "A" is or shall become divided and owned in severalty, as to different parts of said tract, the owners of the divided interests in said tract, in the absence of a recordable instrument executed by all the owners and furnished to Unit Operator fixing the division of ownership, shall share in the Unitized Substances allocated to said tract or in the proceeds thereof in proportion to the surface acreage of their respective parts of said tract.

No tract committed to this agreement and qualified for participation shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

The figure set forth opposite each tract in Exhibit "B" represents the percentage participation to which such tract is entitled if all of the tracts there designated with a percentage of participation are committed hereto as of the effective date of this agreement. In the event that all said tracts are not committed to this agreement on said effective date, Unit Operator, as soon as practicable after the effective date of this agreement, shall file with the Supervisor and Commission a separate schedule of those tracts which are so committed. Such schedule, which shall be designated "Exhibit 'B' Revision" and considered for all purposes a part of this agreement, shall set forth opposite each such committed tract a revised percentage participation therefor, which shall be calculated by using the same tract factors and formula as set forth above and which were used to arrive at the percentage participation of each tract as set out in Exhibit "B" but applying the same only to the committed tracts. Such schedule, upon approval thereof by the Supervisor and the Commission shall supersede, effective as of the effective date hereof,

the percentage participations set forth in the original Exhibit "B" attached hereto, and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Commissioner and the Supervisor or Director.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 29 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 28 (Loss of Title), the schedule or participation as shown in Exhibit "B", or in the Exhibit "B" Revision, subject to Section 15 (Participating Tracts) or Section 29 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commission, the Supervisor, and the Director to show the new percentage participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Commission and the Supervisor or the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is so approved.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

14. OIL IN LEASE TANKS. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not

been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after effective date hereof.

If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

15. PARTICIPATING TRACTS. On and after the effective date hereof the Tracts within the Unit Area which are committed hereto and which shall be entitled to participate in production of Unitized Substances therefrom shall be those Tracts within the Unit Area that corner, adjoin, are contiguous or have a common boundary (tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary), and that are also qualified as follows:

(a) Each Tract as to which Working Interest Owners owning one hundred per cent (100%) of the Working Interest and Royalty Interest Owners having seventy per cent (70%) or more of the Royalty Interest have become parties to this agreement or ratified same.

(b) Each tract as to which Working Interest Owners owning one hundred per cent (100%) of the Working Interest have become parties to this agreement, or ratified same, and as to which Royalty Owners owning less than seventy per cent (70%) of the Royalty Interest have become parties to this agreement, and as to which (1) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (2) eighty per cent (80%) of the combined voting interests of Working Interest Owners in all Tracts that meet the

requirements of Section 15(a) have voted in favor of the inclusion of
such Tract. For the purpose of this Section 15(b), the voting interest
of a Working Interest Owner shall be equal to the ratio that its Unit
Participation attributable to Tracts that qualify under Section 15(a)
bears to the total Unit Participation of all Working Interest Owners
attributable to all Tracts that are classified in the category described
in Section 15(a).

(c) Each Tract as to which Working Interest Owners owning less
than one hundred per cent (100%) of the Working Interest have become
parties to this agreement, regardless of the percentage of Royalty
Interest therein that is committed hereto; and as to which (1) the
Working Interest Owner who operates the Tract and all of the other
Working Interest Owners in such Tract who have become parties to this
agreement have joined in a request for inclusion of such Tract in the
Unit Area, and have executed and delivered an indemnity agreement in-
demnifying and agreeing to hold harmless the other Working Interest
Owners in the Unit Area, their successors and assigns, against all
claims and demands that may be made by the owners of Working Interests
in such Tract who are not parties to this agreement, and which arise
out of the inclusion of the Tract in the Unit Area; and as to which (2)
eighty per cent (80%) of the combined voting interest of Working Inter-
est Owners in all Tracts that meet the requirements of Sections 15(a)
and 15(b) have voted in favor of the inclusion of such Tract and to ac-
cept the indemnity agreement. For the purpose of this Section 15(c),
the voting interest of each Working Interest Owner shall be equal to
the ratio that its Unit Participation attributable to Tracts that qual-
ify under Sections 15(a) and 15(b) bears to the total Unit Participation
of all Working Interest Owners attributable to all Tracts that qualify
under Sections 15(a) and 15(b). Upon the inclusion of such a Tract in
the Unit Area, the Unit Participation that would have been attributed
to the nonsubscribing owners of the Working Interest in such Tract, had
they become parties to this agreement and the Unit Operating Agreement,

shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

16. ROYALTIES AND RENTALS. The United States and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to elect to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessee of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands or formations not subject to this agreement is introduced into the Totah Gallup Sand under unitized land for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and the Commission, a like amount of gas less appropriate deductions for loss from any cause, may be withdrawn from that formation, royalty free as to dry gas, but not as to the products extracted therefrom; and, provided further, that such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land pursuant to an approved plan of operation for the purpose of increasing ultimate recovery, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and Commissioner.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized

substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the Unit Area were a single consolidated lease.

Annual rentals and any minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations including those for payment of any rental or minimum royalty in lieu thereof due under their leases unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary of the Interior (hereinafter called "Secretary") or his duly authorized representative.

17. 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.

18. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this agreement.

19. 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 of 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 leases and the Commissioner as to State leases, if any be committed hereto, shall and each by his approval hereof, or by the approval hereof by his or their duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum

royalty and royalty requirements of Federal and State leases, if any, 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 operation of the Unitized Lands under the terms hereof shall
be deemed full performance of all obligations for development and operation
with respect to each and every part or separately owned tract subject to
this agreement, regardless of whether there is any development of any par-
ticular part or tract of the Unit Area, notwithstanding anything to the
contrary in any lease, operating agreement, or other contract by and be-
tween the parties hereto, or their respective predecessors in interest,
or any of them.

(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 Secretary or his duly auth-
orized representative and, if State of New Mexico land is subject hereto,
the Commissioner, shall be deemed to constitute such suspension pursuant
to such direction or consent as to each and every tract of Unitized Land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any
renewal thereof or any part of such lease which is made subject to this
agreement shall continue in force beyond the term provided therein until

the termination hereof. Any other Federal lease 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.

(f) Each sublease or contract relating to the operation and develop-
ment of Unitized Substances from lands of the United States 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 extended herein or hereunder.

(g) The segregation of any Federal lease committed to this agreement
is governed by the following provision in the fourth paragraph of Sec. 17(j)
of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74
Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to
any such (unit) plan embracing lands that are in part within and in part
outside of the area covered by any such plan shall be segregated into sep-
arate 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 the nonunitized portion shall continue in force and effect for the
term thereof but for not less than two years from the date of such segre-
gation and so long thereafter as oil or gas is produced in paying quanti-
ties."

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to
be covenants running with the land with respect to the interest of the parties
hereto and their successors in interest until this agreement terminates, and
any grant, transfer, or conveyance of interest in land or leases subject here-
to shall be and hereby is conditioned upon the assumption of all privileges
and obligations hereunder by the grantee, transferee, or other successors 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, photo-
static, or certified copy of the instrument of transfer.

21. EFFECTIVE DATE AND TERM. This agreement shall become effective on the first day of the calendar month next following approval by the Secretary and the Commission, or their duly authorized representatives, and shall remain in effect so long as Unitized Substances or gas injected into the Unit Area from outside sources can be produced in paying quantities, i.e., in quantities sufficient to pay for the cost of producing same from wells on Unitized Land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production and, if they result in further production of Unitized Substances, so long thereafter as such Unitized Substances can be produced as aforesaid. This agreement shall remain in effect during any period of suspension approved by the Director and the Commissioner as provided for in Section 19(c) hereof.

This agreement may be terminated at any time by the Working Interest Owners whose voting interests, as provided in the Unit Operating Agreement, aggregate not less than ninety per cent (90%), subject to the approval of the Director and the Commission; notice of any such approval shall be given by Unit Operator to all parties hereto.

22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and, within the limits made or fixed by the Commission, to alter or modify 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; 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 development in the absence of the specific written approval thereof by the Commission and as to any lands of the State of New Mexico or privately-owned lands subject to this Agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this Section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

23. LAWS AND REGULATIONS. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations, and orders of the New Mexico Oil Conservation Commission; and to all other applicable federal, state and municipal laws, rules, regulations and orders.

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

25. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses.

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said 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, provided, however, that each party hereto covenants that during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise

of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

28. NON-DISCRIMINATION. In the performance of work under this agreement the Unit Operator agrees to comply with the nondiscrimination provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which we hereby incorporate by reference in this agreement.

29. 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 the title to any Royalty, Working Interest or any other interest or rights 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 any State land or leases which may be committed hereto, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State, if any, shall be deposited as directed by the 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.

In order to avoid title failures which might incidentally cause the title to a Working Interest or interests to fail, the owners of (a) the surface rights to lands lying within the Unit Area, (b) severed minerals or royalty interests in said lands, and (c) improvements located on said land but not utilized for unit operations, shall individually be responsible for the rendition

and assessment, for ad valorem tax purposes, of all such property, and for
the payment of such taxes, except as otherwise provided in any contract or
agreement between such owners and a Working Interest Owner or owners or in
the Unit Operating Agreement. If any ad valorem taxes are not paid by such
owners responsible therefor when due, the Unit Operator, subject to the ap-
proval of the Working Interest Owners, may, at any time prior to tax sale,
pay the same, redeem such property, and discharge such tax liens as may arise
through non-payment. In the event the Unit Operator makes any such payment
or redeems any such property from tax sale, the Unit Operator shall be re-
imbursed therefor by the Working Interest Owners in proportion to their re-
spective percentages of participation; and the Unit Operator shall withhold
from the proceeds otherwise due to said delinquent taxpayer or taxpayers, an
amount sufficient to defray the costs of such payment or redemption, such
withholdings to be distributed among the Working Interest Owners in proportion
to their respective contributions toward such payment or redemption.

30. NON-JOINDER AND SUBSEQUENT JOINDER. Any oil or gas interests in
lands within the Unit Area not committed hereto prior to submission of this
agreement for final approval may thereafter be committed hereto by the owner
or owners thereof subscribing or consenting to this agreement and, if the
interest is a Working Interest, by the owner of such interest also subscrib-
ing to the Unit Operating Agreement.

It is understood and agreed, however, that after the effective date of
this agreement, the commitment hereto of any interest within the Unit Area
shall be upon such terms and conditions as may be negotiated by Working Inter-
est Owners and the owner of such interest. 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 re-
garded as effectively committed to this Unit Agreement. After the effective
date of this agreement joinder by a non-Working Interest Owner must be con-
sented to in writing by the Working Interest Owner committed hereto and re-
sponsible for the payment of any benefits that may accrue hereunder in behalf
of such non-working interest. Joinder by any owner of a non-working interest,

at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Except as may otherwise herein be provided, subsequent joinder to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Director or the Commissioner or the Commission. In the event additional tracts qualify pursuant to Section 15 as a result of the subsequent joinder of parties pursuant to this Section 30, Exhibit "B" shall be revised to reflect the revision of percentages allocated to the various committed tracts.

31. DRILLING OTHER THAN TO UNITIZED FORMATIONS. In the drilling of any well after the effective date hereof to a zone or strata underlying the Unitized Formation, sufficient casing or other means as may be approved by the Working Interest Owners and the Supervisor shall be utilized to properly seal off and protect the Unitized Formation.

32. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners or any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator, Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of the failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters of things concerning with it is required herein that such concurrence be obtained.

33. 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 Unitized Lands.

34. ROYALTY OWNERS' TAXES. The Working Interest Owners shall render and pay for their account and the account of the Royalty Owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The Working Interest Owners on each Tract shall and may charge the proper proportion of said taxes to the Royalty Owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products, or net proceeds thereof from the allocated share of each Royalty Owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States 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.

35. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, express 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.

36. EXPIRATION FOR NON-EXECUTION. If, for any reason, this agreement is not executed or ratified by the required parties as set forth in Section 15 of this agreement on or before October 15, 1963, then this agreement shall be null and void ab initio and same shall not thereafter be binding upon any parties having previously executed or ratified same.

37. BORDER AGREEMENTS. Subject to the approval of the Supervisor and the Commissioner, the Unit Operator, with concurrence of two (2) or more owners of Working Interest owning in the aggregate at least sixty-five per cent (65%) of the voting interest may enter into a border-protective agreement

or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

38. JOINER OF TENNECO OIL COMPANY. Tenneco Oil Company, a Delaware corporation, with principal offices in the Tennessee Building in Houston, Texas, joins in this agreement for purposes of documenting its acceptance and agreement thereto.

39. CORRECTION OF ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than correction of a mathematical or clerical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners, the Commissioner and the Supervisor.

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

ATTEST:

TENNECO CORPORATION and
TENNECO OIL COMPANY
P. O. Box 1031, Midland, Texas



By: [Signature]

MAY 2 1963
Date

Title: AGENT AND ATTORNEY-IN-FACT



ATTEST:

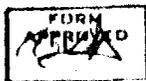
PIONEER PRODUCTION CORPORATION
P. O. Box 2542
Amarillo, Texas

[Signature]

By: [Signature]

22763
Date

Title: President



THE STATE OF TEXAS §
COUNTY OF MIDLAND §

This Agreement was negotiated, executed and signed on the 2nd day of September 1963, by H. B. Bowers, Agent and Attorney in Fact for Tenneco Corporation and Tenneco Oil Company, a Delaware corporation, on behalf of and in cooperation with the Working Interest Owners of the Unit Area.

ILLEGIBLE

[Signature]
H. B. Bowers, Agent and Attorney in Fact

ATTEST:

AZTEC OIL & GAS COMPANY

Richard L. Wood

By:

Isidore B. Davis

9-25-63
Date

Title:

VICE PRESIDENT

ATTEST:

SOUTHWEST PRODUCTION COMPANY, INC.

By:

_____ Date

Title:

ATTEST:

BIG CHIEF DRILLING COMPANY

By:

_____ Date

Title:

D. W. FALLS

_____ Date

_____ Date

_____ Date

_____ Date

STATE OF Texas

COUNTY OF Dallas

On this 25th day of September, 1963, before me appeared Isidore B. Davis, to me personally known, who, being by me duly sworn did say that he is the Vice President of Aztec Oil & Gas Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said Isidore B. Davis acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have set my hand and seal of office on this 25th day of September, 1963.

My Commission Expires:

Richard L. Wood

ATTEST:

AZTEC OIL & GAS COMPANY

By: _____

_____ Date

Title: _____

ATTEST:

SOUTHWEST PRODUCTION COMPANY, INC.

By: _____

_____ Date

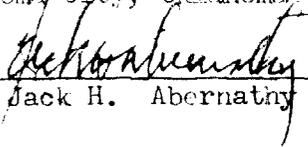
Title: _____

ATTEST:

BIG CHIEF DRILLING COMPANY

P. O. Box 2137
Oklahoma City, Oklahoma


Secretary

By: 
Jack H. Abernathy

3-1-63
Date

AF

Title: President

ROR

_____ D. W. FALLS

_____ Date

_____ Date

ATTEST:

AZTEC OIL & GAS COMPANY

By: _____

_____ Date

Title: _____

ATTEST:

SOUTHWEST PRODUCTION COMPANY, INC.

By: _____

_____ Date

Title: _____

ATTEST:

BIG CHIEF DRILLING COMPANY

By: _____

_____ Date

Title: _____

D. W. Falls _____
 D. W. FALLS Date
 Suite 1517, First National Bank Bldg. West
 Albuquerque, New Mexico

_____ Date

_____ Date

_____ Date

_____ Date

ATTEST:

AZTEC OIL & GAS COMPANY

By: _____

_____ Date

Title: _____

ATTEST:

SOUTHWEST PRODUCTION COMPANY, INC.

By: _____

_____ Date

Title: _____

ATTEST:

BIG CHIEF DRILLING COMPANY

By: _____

_____ Date

Title: _____

D. W. FALLS

Date

Warren Shear

7-1-63

WARREN SHEAR
P. O. Box 67
Duncan, Oklahoma

Date

Date

Date

Date

Date

ATTEST:

AZTEC OIL & GAS COMPANY

By: _____

_____ Date

Title: _____

ATTEST:

SOUTHWEST PRODUCTION COMPANY, INC.

By: _____

_____ Date

Title: _____

ATTEST:

BIG CHIEF DRILLING COMPANY

By: _____

_____ Date

Title: _____

_____ D. W. FALLS

_____ Date

Attest:
Frank D. [unclear], [unclear]

ASPEN Drilling Co *2/28/63*
ASPEN DRILLING COMPANY Date
P. O. Box 2060, Farmington, New Mexico
ATTN: Mr. W. R. Johnston
By W. R. Johnston, Pres
_____ Date

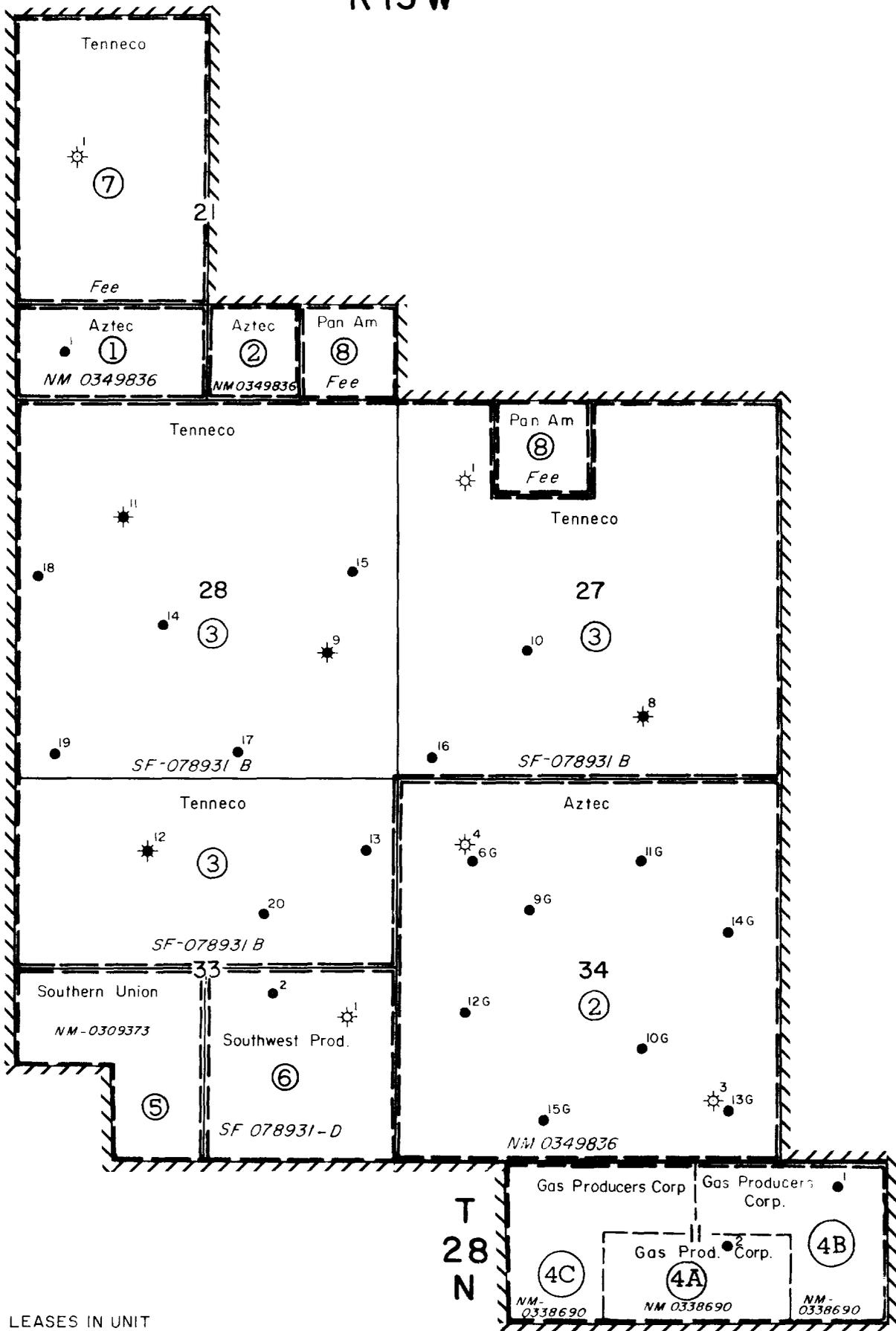
_____ Date

_____ Date

R 13 W

T 29 N

T 28 N



FEDERAL LEASES IN UNIT

- NM 0338690
- NM 0309373
- SF 078931-B
- SF 078931-D
- NM 0349836

③ Tract numbers as listed on Exhibit "B"

////// Unit Boundary

□ Tract Boundary

EXHIBIT "A"

CENTRAL TOTAH UNIT
SAN JUAN COUNTY, NEW MEXICO

SCALE: 1"=2000' DATE: Revised Oct. 31, 1963

EXHIBIT "g"
CENTRAL TOTAL (GALLUP) UNIT, SAN JUAN COUNTY, NEW MEXICO
T. 29 N., R. 13 W.

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
1	FEDERAL LAND S/2 SW/4 Sec. 21	80	NM 0349836 Held by Prod.	U. S. ALL 12-1/2%	Artec Oil & Gas	L.N. Haggood, et ux, Mary C. Haggood	Artec Oil & Gas Tenneco Corp. Pioneer Prod. 25 % 68.75% 6.25%
2	SW/4 SE/4 Sec. 21 Sec. 34: ALL	680	NM 0349836 Held by Prod.	U. S. ALL 12-1/2%	Artec Oil & Gas	L.N. Haggood, et ux, Mary C. Haggood	Artec Oil & Gas ALL
3	Sec. 27 Less NE/4 NW/4; Sec. 28, all; N/2 Sec. 33	1560	SF 078931-B Held by Prod.	U. S. ALL 12-1/2%	Tenneco Corp. Big Chief	Ivan Octotot, et ux, Mabel Octotot Arnold E. Carle Glenn H. Callow Rocanville Corp * *Subject to net profit interest reserved to H.K. Riddle to Assignment of 12-31-59.	Big Chief Drilg Tenneco Corp 2% 1.25% 1.25% 2.5 %
4A	SW/4 SE/4, SE/4 SW/4 Sec. 11, T. 28 N., R. 13 W.	80	NM 0338690 Held by Prod.	U. S. ALL 12-1/2%	Gas Producers Corp.	Gas Producers Corp R.M. & Lucille C. Barron Resse & Roselle B. Cleveland Robert D. & Nancy Mae Duden First National Bank of Midland, Trust No. 204 Ralph & Erma Lower J.R. & Lucille Martin J.F. Postelle Frank A. & Betty Schultz J. Ralph & Villa Stewart	% D. W. Falls ALL

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Date of Lease</u>	<u>Basic Royalty & Ownership Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
4B (Cont'd)							
					Jan H. Westerman	.027778 of 3.5%	
					C. B. Yarborough	.027778 of 3.5%	
					Katherine B. Yarborough	.027778 of 3.5%	
					Leah B. Downey	.041667 of 3.5%	
					Robert B. Aaronson	.013889 of 3.5%	
					Myrtle Connor, Exec. Est. Frank T. Connor	.013889 of 3.5%	
					Lae Etta Hedberg	.013889 of 3.5%	
					P. O. Still	.013889 of 3.5%	
					Charles D. & Lucy J. Karutz	.006944 of 3.5%	
					Lawrence L. Lawalle	.006944 of 3.5%	
					Mayron & Kelly Iddell	.006944 of 3.5%	
					Guy A. Welll, Custodian	.006944 of 3.5%	
					Levi & Ethel Freed	.005556 of 3.5%	
					Morris & Ida Levine	.005556 of 3.5%	
					William & Edith Levine	.005556 of 3.5%	
					Harry & Tilly Lipsky	.005556 of 3.5%	
					Sid & Rosalind Weiss	.005556 of 3.5%	
					George Biggar	.010417 of 3.5%	
					William & Florence B. Dublier	.010417 of 3.5%	
					Frank & Margaret Jenstis	.003472 of 3.5%	
					Marianne Welll	.003472 of 3.5%	
					Lester Alexander S. Lore	.003472 of 3.5%	
					W. Benton & Mildred P. Harrison	.003472 of 3.5%	
					Benjamin J. & Helen G. Pinkowski	.003472 of 3.5%	
					Guy A. Welll	.003472 of 3.5%	
					Marle Helen Welll	.003472 of 3.5%	
					Stanley & Ann Zacharek	.003472 of 3.5%	

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
4B (Cont'd)							
4C	Lots 3, 4 and SW/4 SW/4 Sec. 11, T. 28 N., R. 13 W.	97.58	NM 0338690	U. S. ALL 12-1/2%	Gas Producers, Inc.	Thomas M. & Minna Grodin 3.5% Total	Non-Participating Tract .002604 of 3.5%
5	N/2 SW/4 and SE/4 SW/4 Sec. 33, T. 29 N., R. 13 W.	120	NM 0309373	U. S. ALL 12-1/2%	Southern Union Production		Non-Participating Tract
6	SE/4 Sec. 33, T. 29 N., R. 13 W.	160	SP 078931-D	U. S. ALL 12-1/2%	Southern Union Production		Non-Participating Tract
6 Federal Tracts 2875.55 acres or 90.11% of Unit Area							
PATENTED LAND							
7	NW/4, N/2 SW/4 Sec. 21	239.69	Patented		Tenneco Corp.		Aztec Oil & Gas 25 % Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* Out of W/2 Sec. 21, T. 29 N., R. 13 W.							
		27.5	Patented Held by Prod.	Bernard R. Gerard 50% First National Bank of Farmington 50%	Tenneco Corp.		Aztec Oil & Gas 25 % Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* Out of W/2 Sec. 21 T. 29 N., R. 13 W.							
		14.6	Patented Held by Prod.	O. H. Vertreese 100%	Tenneco Corp.		Aztec Oil & Gas 25 % Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* Out of W/2 Sec. 21 T. 29 N., R. 13 W.							
		12.23	Patented Held by Prod.	Radio Station KVBC 75% First National Bank of Farmington 25%	Tenneco Corp.		Aztec Oil & Gas 25 % Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* Out of W/2 Sec. 21 T. 29 N., R. 13 W.							
		1.2	Patented Held by Prod.	Radio Station KVBC 100%	Tenneco Corp.		Aztec Oil & Gas 25. % Tenneco Corp. 68.75% Pioneer Prod. 6.25%

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
* T. 29 N., R. 13 W.	Out of W/2 Sec. 21	142.5	Patented Held by Prod.	Mary Roberts Berry 50% Royce M. Elkins 12.5% Ronald C. Elkins 12.5% Flora G. Elkins Burks 12.5% San Juan Gravel Products Co. 12.5%	Tenneco Corp.		Aztec Oil & Gas 25% Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* T. 29 N., R. 13 W.	Out of W/2 Sec. 21	3.806	Patented Held by Prod.	O.H. Vertreese and R.C. Parsons, jointly 50% Theodore P. Amsden 12.5% Virginia Amsden Whitmire 12.5% Gall Amsden Hall 12.5% Larry Avery Amsden 6.25% Charles Wynn Amsden 6.25%	Tenneco Corp. 50% Pioneer Prod. 50%	Weldon C. Julander, et ux Ida Mae Julander 1/2 of 1% Rodney P. Calvin, et ux, Christine T. Calvin jointly 1/2 of 1% Earl A. Rogers 1/2 of 1%	Aztec Oil & Gas 25% Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* T. 29 N., R. 13 W.	Out of W/2 Sec. 21	2.00	Patented Held by Prod.	O.H. Vertreese and R.C. Parsons, jointly 50% Theodore P. Amsden 12.5% Virginia Amsden Whitmire 12.5% Gall Amsden Hall 12.5% Larry Avery Amsden 6.25% Charles Wynn Amsden 6.25%	Tenneco Corp. 50% Pioneer Prod. 50%	Weldon C. Julander, et ux Ida Mae Julander 1/2 of 1% Rodney P. Calvin, et ux Christine T. Calvin, jointly 1/2 of 1% Earl A. Rogers 1/2 of 1%	Aztec Oil & Gas 25% Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* T. 29 N., R. 13 W.	Out of W/2 Sec. 21	33.884	Patented Held by Prod.	T.L. Smith & Anna Everett Smith, O.H. Vertreese & R.L. Parsons 50% Theodore P. Amsden 12.5% Virginia Amsden Whitmire 12.5% Gall Amsden Hall 12.5% Larry Avery Amsden 6.25% Charles Wynn Amsden 6.25%	Tenneco Corp. 50% Pioneer Prod. 50%	Weldon C. Julander, et ux Ida Mae Julander 1/2 of 1% Rodney P. Calvin, et ux Christine T. Calvin, jointly 1/2 of 1% Earl A. Rogers 1/2 of 1%	Aztec Oil & Gas 25% Tenneco Corp. 68.75% Pioneer Prod. 6.25%
* T. 29 N., R. 13 W.	Out of W/2 Sec. 21	1.5	Patented Held by Prod.	Guy A. Bell 100%	Tenneco Corp.		Aztec Oil & Gas 25% Tenneco Corp. 68.75% Pioneer Prod. 6.25%

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Expiration Date of Lease</u>	<u>Basic Royalty & Ownership Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	.47	Patented Held by Prod.	Helen Schleuter Gagg 100%	Tenneco Corp.		Aztec Oil & Gas Tenneco Corp. Pioneer Prod. 25 % 68.75% 6.25%
8	(a) SE/4 SE/4 Sec. 21, (b) NE/4 NW/4 Sec. 27, A.. In T. 29 N., R. 13 W. N.M.P.M., San Juan County, New Mexico	80.00	Patented	12.5%	Pan American Petroleum Corp.		Pan American Petroleum Corp.
	* All in Tract No. 7						

2 Patented Tracts 319.69 acres or 9.89% of Unit Area

Total 8 Tracts 3195.24 acres in entire Unit Area

RECAPITULATION

<u>Unit Tract No.</u>	<u>No. Acres Each Tract In Unit</u>	<u>Percent Unit Partic of Each Tra</u>
1	80.00	1.4199%
2	680.00	35.9779%
3	1560.00	57.7067%
4A	80.00	1.7507%
4B	97.97	3.0246%
4C	97.58	-0- %
5	120.00	-0- %
6	160.00	-0- %
7	239.69	.1202%
8	<u>80.00</u>	<u>-0- %</u>
Totals	3195.24 acres	100.0000%