

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the LUZON Unit Area, State of NEW MEXICO.

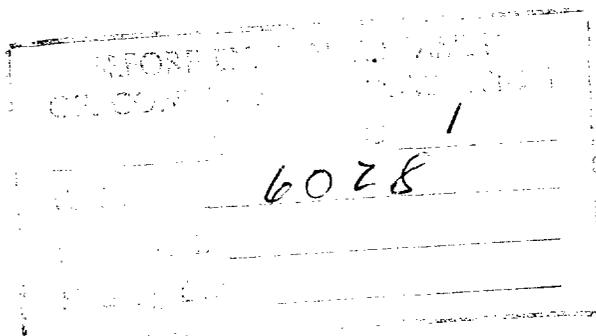
B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated _____.

Oil and Gas Supervisor, United States Geological Survey

Contract Number _____



UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION

OF THE

LUZON UNIT AREA

COUNTY OF LEA

STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 3rd day of August, 1977, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

WITNESSETH:

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

WHEREAS, the Mineral Leasing Act of February 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 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 parties hereto hold sufficient interests in the LUZON Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit A is hereby designated and recognized as constituting the unit area, containing 5,117.43 acres, more or less.

Exhibit A shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to

1 the Unit Operator. Exhibit B attached hereto is a schedule showing to the extent 1
2 known to the Unit Operator the acreage, percentage, and kind of ownership of oil 2
3 and gas interests in all land in the unit area. However, nothing herein or in 3
4 said schedule or map shall be construed as a representation by any party hereto as 4
5 to the ownership of any interest other than such interest or interests as are shown 5
6 in said map or schedule as owned by such party. Exhibits A and B shall be revised 6
7 by the Unit Operator whenever changes in the unit area render such revision neces- 7
8 sary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as 8
9 "Supervisor" and not less than five copies of the revised exhibits shall be filed 9
10 with the Supervisor. 10

11 The above described unit area shall when practicable be expanded to 11
12 include therein any additional lands or shall be contracted to exclude lands 12
13 whenever such expansion or contraction is deemed to be necessary or advisable 13
14 to conform with the purposes of this agreement. Such expansion or contraction 14
15 shall be effected in the following manner: 15

16 (a) Unit Operator, on its own motion or on demand of the Director of 16
17 the Geological Survey, hereinafter referred to as "Director", after preliminary 17
18 concurrence by the Director, shall prepare a notice of proposed expansion or con- 18
19 traction describing the contemplated changes in the boundaries of the unit area, 19
20 the reasons therefor, and the proposed effective date thereof, preferably the 20
21 first day of a month subsequent to the date of notice. 21

22 (b) Said notice shall be delivered to the Supervisor, and copies 22
23 thereof mailed to the last known address of each working interest owner, lessee, 23
24 and lessor whose interests are affected, advising that 30 days will be allowed 24
25 for submission to the Unit Operator of any objections. 25

26 (c) Upon expiration of the 30-day period provided in the preceding 26
27 item (b) hereof, Unit Operator shall file with the Supervisor evidence of mailing 27
28 of the notice of expansion or contraction and a copy of any objections thereto 28
29 which have been filed with the Unit Operator, together with an application in 29
30 sufficient number, for approval of such expansion or contraction and with 30
31 appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expansion 32
33 or contraction shall, upon approval by the Supervisor, become effective as of the 33
34 date prescribed in the notice thereof. 34

35 (e) All legal subdivisions of lands (i.e., 40 acres by Government sur- 35
36 vey or its nearest lot or tract equivalent; in instances of irregular surveys, 36
37 unusually large lots or tracts shall be considered in multiples of 40 acres or 37
38 the nearest aliquot equivalent thereof), no parts of which are entitled to be in 38
39 a participating area on or before the fifth anniversary of the effective date of 39
40 the first initial participating area established under this unit agreement, shall 40
41 be eliminated automatically from this agreement, effective as of said fifth 41
42 anniversary, and such lands shall no longer be a part of the unit area and shall 42
43 no longer be subject to this agreement, unless diligent drilling operations are 43
44 in progress on unitized lands not entitled to participation on said fifth anniver- 44
45 sary, in which event all such lands shall remain subject hereto for so long as 45
46 such drilling operations are continued diligently, with not more than 90 days' 46
47 time elapsing between the completion of one such well and the commencement of the 47
48 next such well. All legal subdivisions of lands not entitled to be in a parti- 48
49 cipating area within 10 years after the effective date of the first initial 49
50 participating area approved under this agreement shall be automatically eliminated 50
51 from this agreement as of said tenth anniversary. All lands proved productive by 51
52 diligent drilling operations after the aforesaid 5-year period shall become 52
53 participating in the same manner as during said 5-year period. However, when such 53
54 diligent drilling operations cease, all nonparticipating lands shall be automati- 54
55 cally eliminated effective as of the 91st day thereafter. The unit operator 55
56 shall within 90 days after the effective date of any elimination hereunder, 56
57 describe the area so eliminated to the satisfaction of the Supervisor and promptly 57
58 notify all parties in interest. 58

1 If conditions warrant extension of the 10-year period specified in this 1
2 subsection 2(e), a single extension of not to exceed 2 years may be accomplished 2
3 by consent of the owners of 90% of the working interests in the current nonparti- 3
4 cipating unitized lands and the owners of 60% of the basic royalty interests 4
5 (exclusive of the basic royalty interests of the United States) in nonparticipating 5
6 unitized lands with approval of the Director, provided such extension application 6
7 is submitted to the Director not later than 60 days prior to the expiration of said 7
8 10-year period. 8

9 Any expansion of the unit area pursuant to this section which embraces 9
10 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con- 10
11 sidered automatic commitment or recommitment of such lands. 11

12 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 12
13 agreement shall constitute land referred to herein as "unitized land" or "land 13
14 subject to this agreement". All oil and gas in any and all formations of the 14
15 unitized land are unitized under the terms of this agreement and herein are called 15
16 "unitized substances". 16

17 4. UNIT OPERATOR. UNION OIL COMPANY OF CALIFORNIA 17
18 is hereby designated as Unit Operator and by signature hereto as Unit Operator 18
19 agrees and consents to accept the duties and obligations of Unit Operator for the 19
20 discovery, development, and production of unitized substances as herein provided. 20
21 Whenever reference is made herein to the Unit Operator, such reference means the 21
22 Unit Operator acting in that capacity and not as an owner of interest in unitized 22
23 substances; and the term "working interest owner" when used herein shall include 23
24 or refer to Unit Operator as the owner of a working interest when such an interest 24
25 is owned by it. 25

26 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 26
27 the right to resign at any time prior to the establishment of a participating 27
28 area or areas hereunder, but such resignation shall not become effective so as to 28
29 release Unit Operator from the duties and obligations of Unit Operator and 29
30 terminate Unit Operator's rights as such for a period of 6 months after notice of 30
31 intention to resign has been served by Unit Operator on all working interest 31
32 owners and the Supervisor, and until all wells then drilled hereunder are placed 32
33 in a satisfactory condition for suspension or abandonment whichever is required 33
34 by the Supervisor, unless a new Unit Operator shall have been selected and 34
35 approved and shall have taken over and assumed the duties and obligations of Unit 35
36 Operator prior to the expiration of said period. 36

37 Unit Operator shall have the right to resign in like manner and subject 37
38 to like limitations as above provided at any time a participating area established 38
39 hereunder is in existence, but, in all instances of resignation or removal, until 39
40 a successor unit operator is selected and approved as hereinafter provided, the 40
41 working interest owners shall be jointly responsible for performance of the duties 41
42 of unit operator, and shall not later than 30 days before such resignation or 42
43 removal becomes effective appoint a common agent to represent them in any action 43
44 to be taken hereunder. 44

45 The resignation of Unit Operator shall not release Unit Operator from 45
46 any liability for any default by it hereunder occurring prior to the effective 46
47 date of its resignation. 47

48 The Unit Operator may, upon default or failure in the performance of 48
49 its duties or obligations hereunder, be subject to removal by the same percentage 49
50 vote of the owners of working interests as herein provided for the selection of a 50
51 new Unit Operator. Such removal shall be effective upon notice thereof to the 51
52 Supervisor. 52

53 The resignation or removal of Unit Operator under this agreement shall 53
54 not terminate its right, title, or interest as the owner of a working interest 54
55 or other interest in unitized substances, but upon the resignation or removal of 55
56 Unit Operator becoming effective, such Unit Operator shall deliver possession of 56

1 all wells, equipment, materials, and appurtenances used in conducting the unit 1
2 operations to the new duly qualified successor Unit Operator or to the common 2
3 agent, if no such new Unit Operator is elected, to be used for the purpose of 3
4 conducting unit operations hereunder. Nothing herein shall be construed as 4
5 authorizing removal of any material, equipment and appurtenances needed for the 5
6 preservation of any wells. 6

7 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender 7
8 his or its resignation as Unit Operator or shall be removed as hereinabove provided, 8
9 or a change of Unit Operator is negotiated by working interest owners, the owners 9
10 of the working interests in the participating area or areas according to their 10
11 respective acreage interests in such participating area or areas, or, until a 11
12 participating area shall have been established, the owners of the working inter- 12
13 ests according to their respective acreage interests in all unitized land, shall 13
14 by majority vote select a successor Unit Operator: Provided, That, if a majority 14
15 but less than 75 per cent of the working interests qualified to vote are owned by 15
16 one party to this agreement, a concurring vote of one or more additional working 16
17 interest owners shall be required to select a new operator. Such selection shall 17
18 not become effective until 18

19 (a) a Unit Operator so selected shall accept in writing the duties and 19
20 responsibilities of Unit Operator, and 20

21 (b) the selection shall have been approved by the Supervisor. 21

22 If no successor Unit Operator is selected and qualified as herein 22
23 provided, the Director at his election may declare this unit agreement terminated. 23

24 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 24
25 Operator is not the sole owner of working interests, costs and expenses incurred 25
26 by Unit Operator in conducting unit operations hereunder shall be paid and 26
27 apportioned among and borne by the owners of working interests, all in accordance 27
28 with the agreement or agreements entered into by and between the Unit Operator and 28
29 the owners of working interests, whether one or more, separately or collectively. 29
30 Any agreement or agreements entered into between the working interest owners and 30
31 the Unit Operator as provided in this section, whether one or more, are herein 31
32 referred to as the "unit operating agreement". Such unit operating agreement 32
33 shall also provide the manner in which the working interest owners shall be 33
34 entitled to receive their respective proportionate and allocated share of the 34
35 benefits accruing hereto in conformity with their underlying operating agreements, 35
36 leases, or other independent contracts, and such other rights and obligations as 36
37 between Unit Operator and the working interest owners as may be agreed upon by 37
38 Unit Operator and the working interest owners; however, no such unit operating 38
39 agreement shall be deemed either to modify any of the terms and conditions of this 39
40 unit agreement or to relieve the Unit Operator of any right or obligation estab- 40
41 lished under this unit agreement, and in case of any inconsistency or conflict 41
42 between this unit agreement and the unit operating agreement, this unit agreement 42
43 shall govern. Three true copies of any unit operating agreement executed pursuant 43
44 to this section should be filed with the Supervisor, prior to approval of this 44
45 unit agreement. 45

46 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 46
47 specifically provided herein, the exclusive right, privilege, and duty of exer- 47
48 cising any and all rights of the parties hereto which are necessary or convenient 48
49 for prospecting for, producing, storing, allocating, and distributing the unitized 49
50 substances are hereby delegated to and shall be exercised by the Unit Operator as 50
51 herein provided. Acceptable evidence of title to said rights shall be deposited 51
52 with said Unit Operator and, together with this agreement, shall constitute and 52
53 define the rights, privileges, and obligations of Unit Operator. Nothing herein, 53
54 however, shall be construed to transfer title to any land or to any lease or oper- 54
55 ating agreement, it being understood that under this agreement the Unit Operator, 55
56 in its capacity as Unit Operator, shall exercise the rights of possession and use 56
57 vested in the parties hereto only for the purposes herein specified. 57

1 9. DRILLING TO DISCOVERY. Within 6 months after the effective date 1
2 hereof, the Unit Operator shall begin to drill an adequate test well at a location 2
3 approved by the Supervisor, unless on such effective date a well is being drilled 3
4 conformably with the terms hereof, and thereafter continue such drilling diligently 4
5 until the STRAWN formation has been tested or until at a 5
6 lesser depth unitized substances shall be discovered which can be produced in pay- 6
7 ing quantities (to-wit: quantities sufficient to repay the costs of drilling, 7
8 completing, and producing operations, with a reasonable profit) or the Unit Opera- 8
9 tor shall at any time establish to the satisfaction of the Supervisor that further 9
10 drilling of said well would be unwarranted or impracticable, provided, however, 10
11 that Unit Operator shall not in any event be required to drill said well to a depth 11
12 in excess of 12,730 feet. Until the discovery of a deposit of unitized sub- 12
13 stances capable of being produced in paying quantities, the Unit Operator shall 13
14 continue drilling one well at a time, allowing not more than 6 months between the 14
15 completion of one well and the beginning of the next well, until a well capable of 15
16 producing unitized substances in paying quantities is completed to the satisfac- 16
17 tion of said Supervisor or until it is reasonably proved that the unitized land 17
18 is incapable of producing unitized substances in paying quantities in the forma- 18
19 tions drilled hereunder. Nothing in this section shall be deemed to limit the 19
20 right of the Unit Operator to resign as provided in Section 5 hereof, or as 20
21 requiring Unit Operator to commence or continue any drilling during the period 21
22 pending such resignation becoming effective in order to comply with the require- 22
23 ments of this section. The Supervisor may modify the drilling requirements of 23
24 this section by granting reasonable extensions of time when, in his opinion, such 24
25 action is warranted. 25

26 Upon failure to commence any well provided for in this section within 26
27 the time allowed, including any extension of time granted by the Supervisor, this 27
28 agreement will automatically terminate; upon failure to continue drilling dili- 28
29 gently any well commenced hereunder, the Supervisor may, after 15-days notice to 29
30 the Unit Operator, declare this unit agreement terminated. 30

31 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after 31
32 completion of a well capable of producing unitized substances in paying quanti- 32
33 ties, the Unit Operator shall submit for the approval of the Supervisor an 33
34 acceptable plan of development and operation for the unitized land which, when 34
35 approved by the Supervisor, shall constitute the further drilling and operating 35
36 obligations of the Unit Operator under this agreement for the period specified 36
37 therein. Thereafter, from time to time before the expiration of any existing 37
38 plan, the Unit Operator shall submit for the approval of the Supervisor a plan 38
39 for an additional specified period for the development and operation of the 39
40 unitized land. 40

41 Any plan submitted pursuant to this section shall provide for the 41
42 exploration of the unitized area and for the diligent drilling necessary for 42
43 determination of the area or areas thereof capable of producing unitized 43
44 substances in paying quantities in each and every productive formation and shall 44
45 be as complete and adequate as the Supervisor may determine to be necessary for 45
46 timely development and proper conservation of the oil and gas resources of the 46
47 unitized area and shall: 47

48 (a) specify the number and locations of any wells to be drilled and 48
49 the proposed order and time for such drilling; and 49

50 (b) to the extent practicable specify the operating practices 50
51 regarded as necessary and advisable for proper conservation of natural resources. 51

52 Separate plans may be submitted for separate productive zones, subject 52
53 to the approval of the Supervisor. 53

54 Plans shall be modified or supplemented when necessary to meet changed 54
55 conditions or to protect the interests of all parties to this agreement. Reason- 55
56 able diligence shall be exercised in complying with the obligations of the 56
57 approved plan of development. The Supervisor is authorized to grant a reasonable 57

1 extension of the 6-month period herein prescribed for submission of an initial 1
2 plan of development where such action is justified because of unusual conditions 2
3 or circumstances. After completion hereunder of a well capable of producing any 3
4 unitized substance in paying quantities, no further wells, except such as may be 4
5 necessary to afford protection against operations not under this agreement and 5
6 such as may be specifically approved by the Supervisor, shall be drilled except 6
7 in accordance with a plan of development approved as herein provided. 7

8 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 8
9 of producing unitized substances in paying quantities or as soon thereafter as 9
10 required by the Supervisor, the Unit Operator shall submit for approval by the 10
11 Supervisor a schedule, based on subdivisions of the public-land survey or aliquot 11
12 parts thereof, of all land then regarded as reasonably proved to be productive in 12
13 paying quantities; all lands in said schedule on approval of the Supervisor to 13
14 constitute a participating area, effective as of the date of completion of such 14
15 well or the effective date of this unit agreement, whichever is later. The acre- 15
16 ages of both Federal and non-Federal lands shall be based upon appropriate 16
17 computations from the courses and distances shown on the last approved public-land 17
18 survey as of the effective date of each initial participating area. Said schedule 18
19 shall also set forth the percentage of unitized substances to be allocated as 19
20 herein provided to each tract in the participating area so established, and shall 20
21 govern the allocation of production commencing with the effective date of the 21
22 participating area. A separate participating area shall be established for each 22
23 separate pool or deposit of unitized substances or for any group thereof which is 23
24 produced as a single pool or zone, and any two or more participating areas so 24
25 established may be combined into one, on approval of the Supervisor. When pro- 25
26 duction from two or more participating areas, so established, is subsequently 26
27 found to be from a common pool or deposit said participating areas shall be 27
28 combined into one effective as of such appropriate date as may be approved or 28
29 prescribed by the Supervisor. The participating area or areas so established 29
30 shall be revised from time to time, subject to like approval, to include addi- 30
31 tional land then regarded as reasonably proved to be productive in paying 31
32 quantities or necessary for unit operations, or to exclude land then regarded as 32
33 reasonably proved not to be productive in paying quantities and the schedule of 33
34 allocation percentages shall be revised accordingly. The effective date of any 34
35 revision shall be the first of the month in which is obtained the knowledge or 35
36 information on which such revision is predicated, provided, however, that a more 36
37 appropriate effective date may be used if justified by the Unit Operator and 37
38 approved by the Supervisor. No land shall be excluded from a participating area 38
39 on account of depletion of the unitized substances, except that any participating 39
40 area established under the provisions of this unit agreement shall terminate 40
41 automatically whenever all completions in the formation on which the participating 41
42 area is based are abandoned. 42

43 It is the intent of this section that a participating area shall 43
44 represent the area known or reasonably estimated to be productive in paying 44
45 quantities; but, regardless of any revision of the participating area, nothing 45
46 herein contained shall be construed as requiring any retroactive adjustment for 46
47 production obtained prior to the effective date of the revision of the participat- 47
48 ing area. 48

49 In the absence of agreement at any time between the Unit Operator and 49
50 the Supervisor as to the proper definition or redefinition of a participating area, 50
51 or until a participating area has, or areas have, been established as provided 51
52 herein, the portion of all payments affected thereby shall be impounded in a 52
53 manner mutually acceptable to the owners of working interests and the Supervisor. 53
54 Royalties due the United States shall be determined by the Supervisor and the 54
55 amount thereof shall be deposited, as directed by the Supervisor, to be held as 55
56 unearned money until a participating area is finally approved and then applied 56
57 as earned or returned in accordance with a determination of the sum due as Federal 57
58 royalty on the basis of such approved participating area. 58

59 Whenever it is determined, subject to the approval of the Supervisor, 59
60 that a well drilled under this agreement is not capable of production in paying 60

1 quantities and inclusion of the land on which it is situated in a participating 1
2 area is unwarranted, production from such well shall, for the purposes of settle- 2
3 ment among all parties other than working interest owners, be allocated to the 3
4 land on which the well is located unless such land is already within the parti- 4
5 cipating area established for the pool or deposit from which such production is 5
6 obtained. Settlement for working interest benefits from such a well shall be made 6
7 as provided in the unit operating agreement. 7

8 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 8
9 participating area established under this agreement, except any part thereof used 9
10 in conformity with good operating practices within the unitized area for drilling, 10
11 operating, camp and other production or development purposes, for repressuring or 11
12 recycling in accordance with a plan of development approved by the Supervisor, or 12
13 unavoidably lost, shall be deemed to be produced equally on an acreage basis from 13
14 the several tracts of unitized land of the participating area established for such 14
15 production and, for the purpose of determining any benefits accruing under this 15
16 agreement, each such tract of unitized land shall have allocated to it such per- 16
17 centage of said production as the number of acres of such tract included in said 17
18 participating area bears to the total acres of unitized land in said participating 18
19 area, except that allocation of production hereunder for purposes other than for 19
20 settlement of the royalty shall be on the basis prescribed in the unit operating 20
21 agreement whether in conformity with the basis of allocation herein set forth or 21
22 otherwise. It is hereby agreed that production of unitized substances from a 22
23 participating area shall be allocated as provided herein regardless of whether 23
24 any wells are drilled on any particular part or tract of said participating area. 24
25 If any gas produced from one participating area is used for repressuring or re- 25
26 cycling purposes in another participating area, the first gas withdrawn from such 26
27 last mentioned participating area for sale during the life of this agreement shall 27
28 be considered to be the gas so transferred until an amount equal to that trans- 28
29 ferred shall be so produced for sale and such gas shall be allocated to the parti- 29
30 cipating area from which initially produced as such area was last defined at the 30
31 time of such final production. 31

32 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 32
33 Any party hereto owning or controlling the working interest in any unitized land 33
34 having thereon a regular well location may with the approval of the Supervisor, at 34
35 such party's sole risk, costs, and expense, drill a well to test any formation for 35
36 which a participating area has not been established or to test any formation for 36
37 which a participating area has been established if such location is not within said 37
38 participating area, unless within 90 days of receipt of notice from said party of 38
39 his intention to drill the well the Unit Operator elects and commences to drill 39
40 such a well in like manner as other wells are drilled by the Unit Operator under 40
41 this agreement. 41

42 If any well drilled as aforesaid by a working interest owner results in 42
43 production such that the land upon which it is situated may properly be included 43
44 in a participating area, such participating area shall be established or enlarged 44
45 as provided in this agreement and the well shall thereafter be operated by the 45
46 Unit Operator in accordance with the terms of this agreement and the unit oper- 46
47 ating agreement. 47

48 If any well drilled as aforesaid by a working interest owner obtains 48
49 production in quantities insufficient to justify the inclusion of the land upon 49
50 which such well is situated in a participating area, such well may be operated 50
51 and produced by the party drilling the same subject to the conservation require- 51
52 ments of this agreement. The royalties in amount or value of production from any 52
53 such well shall be paid as specified in the underlying lease and agreements 53
54 affected. 54

55 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 55
56 owner who, is entitled to take in kind a share of the substances now unitized 56
57 hereunder shall hereafter be entitled to the right to take in kind its share of 57
58 the unitized substances, and Unit Operator, or the working interest owner in case 58

1 of the operation of a well by a working interest owner as herein provided for in 1
2 special cases, shall make deliveries of such royalty share taken in kind in con- 2
3 formity with the applicable contracts, laws, and regulations. Settlement for 3
4 royalty interest not taken in kind shall be made by working interest owners 4
5 responsible therefor under existing contracts, laws and regulations, or by the 5
6 Unit Operator on or before the last day of each month for unitized substances 6
7 produced during the preceding calendar month; provided, however, that nothing 7
8 herein contained shall operate to relieve the lessees of any land from their 8
9 respective lease obligations for the payment of any royalties due under their 9
10 leases. 10

11 If gas obtained from lands not subject to this agreement is introduced 11
12 into any participating area hereunder, for use in repressuring, stimulation of 12
13 production, or increasing ultimate recovery, in conformity with a plan of opera- 13
14 tions approved by the Supervisor, a like amount of gas, after settlement as herein 14
15 provided for any gas transferred from any other participating area and with 15
16 appropriate deduction for loss from any cause, may be withdrawn from the formation 16
17 into which the gas is introduced, royalty free as to dry gas, but not as to any 17
18 products which may be extracted therefrom; provided that such withdrawal shall be 18
19 at such time as may be provided in the approved plan of operations or as may 19
20 otherwise be consented to by the Supervisor as conforming to good petroleum 20
21 engineering practice; and provided further, that such right of withdrawal shall 21
22 terminate on the termination of this unit agreement. 22

23 Royalty due the United States shall be computed as provided in the oper- 23
24 ating regulations and paid in value or delivered in kind as to all unitized 24
25 substances on the basis of the amounts thereof allocated to unitized Federal land 25
26 as provided herein at the rates specified in the respective Federal leases, or at 26
27 such lower rate or rates as may be authorized by law or regulation; provided, 27
28 that for leases on which the royalty rate depends on the daily average production 28
29 per well, said average production shall be determined in accordance with the 29
30 operating regulations as though each participating area were a single consolidated 30
31 lease. 31

32 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 32
33 committed hereto shall be paid by working interest owners responsible therefor 33
34 under existing contracts, laws, and regulations, provided that nothing herein 34
35 contained shall operate to relieve the lessees of any land from their respective 35
36 lease obligations for the payment of any rental or minimum royalty due under their 36
37 leases. Rental or minimum royalty for lands of the United States subject to this 37
38 agreement shall be paid at the rate specified in the respective leases from the 38
39 United States unless such rental or minimum royalty is waived, suspended, or 39
40 reduced by law or by approval of the Secretary or his duly authorized representa- 40
41 tive. 41

42 With respect to any lease on non-Federal land containing provisions which 42
43 would terminate such lease unless drilling operations are commenced upon the land 43
44 covered thereby within the time therein specified or rentals are paid for the 44
45 privilege of deferring such drilling operations, the rentals required thereby 45
46 shall, notwithstanding any other provision of this agreement, be deemed to accrue 46
47 and become payable during the term thereof as extended by this agreement and until 47
48 the required drilling operations are commenced upon the land covered thereby or 48
49 until some portion of such land is included within a participating area. 49

50 16. CONSERVATION. Operations hereunder and production of unitized sub- 50
51 stances shall be conducted to provide for the most economical and efficient 51
52 recovery of said substances without waste, as defined by or pursuant to State or 52
53 Federal law or regulation. 53

54 17. DRAINAGE. The Unit Operator shall take such measures as the Super- 54
55 visor deems appropriate and adequate to prevent drainage of unitized substances 55
56 from unitized land by wells on land not subject to this agreement. 56

1 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, 1
2 and provisions of all leases, subleases, and other contracts relating to explora- 2
3 tion, drilling, development, or operation for oil or gas on lands committed to this 3
4 agreement are hereby expressly modified and amended to the extent necessary to make 4
5 the same conform to the provisions hereof, but otherwise to remain in full force 5
6 and effect; and the parties hereto hereby consent that the Secretary shall and by 6
7 his approval hereof, or by the approval hereof by his duly authorized representa- 7
8 tive, does hereby establish, alter, change, or revoke the drilling, producing, 8
9 rental, minimum royalty, and royalty requirements of Federal leases committed 9
10 hereto and the regulations in respect thereto to conform said requirements to the 10
11 provisions of this agreement, and, without limiting the generality of the forego- 11
12 ing, all leases, subleases, and contracts are particularly modified in accordance 12
13 with the following: 13

14 (a) The development and operation of lands subject to this agreement 14
15 under the terms hereof shall be deemed full performance of all obligations for 15
16 development and operation with respect to each and every separately owned tract 16
17 subject to this agreement, regardless of whether there is any development of any 17
18 particular tract of the unit area. 18

19 (b) Drilling and producing operations performed hereunder upon any tract 19
20 of unitized lands will be accepted and deemed to be performed upon and for the 20
21 benefit of each and every tract of unitized land, and no lease shall be deemed to 21
22 expire by reason of failure to drill or produce wells situated on the land therein 22
23 embraced. 23

24 (c) Suspension of drilling or producing operations on all unitized lands 24
25 pursuant to direction or consent of the Secretary or his duly authorized represent- 25
26 ative shall be deemed to constitute such suspension pursuant to such direction or 26
27 consent as to each and every tract of unitized land. A suspension of drilling or 27
28 producing operations limited to specified lands shall be applicable only to such 28
29 lands. 29

30 (d) Each lease, sublease or contract relating to the exploration, 30
31 drilling, development or operation for oil or gas of lands other than those of 31
32 the United States committed to this agreement, which, by its terms might expire 32
33 prior to the termination of this agreement, is hereby extended beyond any such 33
34 terms so provided therein so that it shall be continued in full force and effect 34
35 for and during the term of this agreement. 35

36 (e) Any Federal lease for a fixed term of twenty (20) years or any 36
37 renewal thereof or any part of such lease which is made subject to this agreement 37
38 shall continue in force beyond the term provided therein until the termination 38
39 hereof. Any other Federal lease committed hereto shall continue in force beyond 39
40 the term so provided therein or by law as to the land committed so long as such 40
41 lease remains subject hereto, provided that production is had in paying quantities 41
42 under this unit agreement prior to the expiration date of the term of such lease, 42
43 or in the event actual drilling operations are commenced on unitized land, in 43
44 accordance with the provisions of this agreement, prior to the end of the primary 44
45 term of such lease and are being diligently prosecuted at that time, such lease 45
46 shall be extended for two years and so long thereafter as oil or gas is produced 46
47 in paying quantities in accordance with the provisions of the Mineral Leasing Act 47
48 Revision of 1960. 48

49 (f) Each sublease or contract relating to the operation and development 49
50 of unitized substances from lands of the United States committed to this agreement, 50
51 which by its terms would expire prior to the time at which the underlying lease, 51
52 as extended by the immediately preceding paragraph, will expire, is hereby extended 52
53 beyond any such term so provided therein so that it shall be continued in full 53
54 force and effect for and during the term of the underlying lease as such term is 54
55 herein extended. 55

56 (g) The segregation of any Federal lease committed to this agreement is 56
57 governed by the following provision in the fourth paragraph of Sec. 17(j) of the 57

1 Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): 1
2 "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan 2
3 embracing lands that are in part within and in part outside of the area covered 3
4 by any such plan shall be segregated into separate leases as to the lands committed 4
5 and the lands not committed as of the effective date of unitization: Provided, 5
6 however, That any such lease as to the nonunitized portion shall continue in force 6
7 and effect for the term thereof but for not less than two years from the date of 7
8 such segregation and so long thereafter as oil or gas is produced in paying quanti- 8
9 ties." 9

10 (h) Any lease, other than a Federal lease, having only a portion of its 10
11 lands committed hereto shall be segregated as to the portion committed and the 11
12 portion not committed, and the provisions of such lease shall apply separately to 12
13 such segregated portions commencing as of the effective date hereof. In the event 13
14 any such lease provides for a lump-sum rental payment, such payment shall be pro- 14
15 rated between the portions so segregated in proportion to the acreage of the 15
16 respective tracts. 16

17 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 17
18 to be covenants running with the land with respect to the interest of the parties 18
19 hereto and their successors in interest until this agreement terminates, and any 19
20 grant, transfer, or conveyance, of interest in land or leases subject hereto 20
21 shall be and hereby is conditioned upon the assumption of all privileges and 21
22 obligations hereunder by the grantee, transferee, or other successor in interest. 22
23 No assignment or transfer of any working interest, royalty, or other interest 23
24 subject hereto shall be binding upon Unit Operator until the first day of the 24
25 calendar month after Unit Operator is furnished with the original, photostatic, 25
26 or certified copy of the instrument of transfer. 26

27 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 27
28 upon approval by the Secretary or his duly authorized representative and shall 28
29 terminate five (5) years from said effective date unless 29

30 (a) such date of expiration is extended by the Director, or 30

31 (b) it is reasonably determined prior to the expiration of the fixed 31
32 term or any extension thereof that the unitized land is incapable of production 32
33 of unitized substances in paying quantities in the formations tested hereunder 33
34 and after notice of intention to terminate the agreement on such ground is given 34
35 by the Unit Operator to all parties in interest at their last known addresses, 35
36 the agreement is terminated with the approval of the Supervisor, or 36

37 (c) a valuable discovery of unitized substances has been made or 37
38 accepted on unitized land during said initial term or any extension thereof, 38
39 in which event the agreement shall remain in effect for such term and so long 39
40 as unitized substances can be produced in quantities sufficient to pay for the 40
41 cost of producing same from wells on unitized land within any participating area 41
42 established hereunder and, should production cease, so long thereafter as diligent 42
43 operations are in progress for the restoration of production or discovery of new 43
44 production and so long thereafter as unitized substances so discovered can be 44
45 produced as aforesaid, or 45

46 (d) it is terminated as heretofore provided in this agreement. This 46
47 agreement may be terminated at any time by not less than 75 per centum, on an 47
48 acreage basis, of the working interest owners signatory hereto, with the approval 48
49 of the Supervisor; notice of any such approval to be given by the Unit Operator 49
50 to all parties hereto. 50

51 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 51
52 hereby vested with authority to alter or modify from time to time in his discre- 52
53 tion the quantity and rate of production under this agreement when such quantity 53
54 and rate is not fixed pursuant to Federal or State law or does not conform to any 54
55 state-wide voluntary conservation or allocation program, which is established, 55
56 recognized, and generally adhered to by the majority of operators in such State, 56

1 such authority being hereby limited to alteration or modification in the public 1
2 interest, the purpose thereof and the public interest to be served thereby to be 2
3 stated in the order of alteration or modification. Without regard to the foregoing, 3
4 the Director is also hereby vested with authority to alter or modify from time to 4
5 time in his discretion the rate of prospecting and development and the quantity and 5
6 rate of production under this agreement when such alteration or modification is in 6
7 the interest of attaining the conservation objectives stated in this agreement and 7
8 is not in violation of any applicable Federal or State law. 8

9 Powers in this section vested in the Director shall only be exercised 9
10 after notice to Unit Operator and opportunity for hearing to be held not less than 10
11 15 days from notice. 11

12 22. APPEARANCES. Unit Operator shall, after notice to other parties 12
13 affected, have the right to appear for and on behalf of any and all interests 13
14 affected hereby before the Department of the Interior and to appeal from orders 14
15 issued under the regulations of said Department or to apply for relief from any 15
16 of said regulations or in any proceedings relative to operations before the 16
17 Department of the Interior or any other legally constituted authority; provided, 17
18 however, that any other interested party shall also have the right at his own 18
19 expense to be heard in any such proceeding. 19

20 23. NOTICES. All notices, demands or statements required hereunder to 20
21 be given or rendered to the parties hereto shall be deemed fully given if given 21
22 in writing and personally delivered to the party or sent by postpaid registered 22
23 or certified mail, addressed to such party or parties at their respective addresses 23
24 set forth in connection with the signatures hereto or to the ratification or con- 24
25 sent hereof or to such other address as any such party may have furnished in 25
26 writing to party sending the notice, demand or statement. 26

27 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 27
28 shall be construed as a waiver by any party hereto of the right to assert any 28
29 legal or constitutional right or defense as to the validity or invalidity of any 29
30 law of the State wherein said unitized lands are located, or of the United States, 30
31 or regulations issued thereunder in any way affecting such party, or as a waiver 31
32 by any such party of any right beyond his or its authority to waive. 32

33 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 33
34 the Unit Operator to commence or continue drilling or to operate on or produce 34
35 unitized substances from any of the lands covered by this agreement shall be 35
36 suspended while the Unit Operator, despite the exercise of due care and diligence, 36
37 is prevented from complying with such obligations, in whole or in part, by strikes, 37
38 acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, 38
39 uncontrollable delays in transportation, inability to obtain necessary materials 39
40 in open market, or other matters beyond the reasonable control of the Unit Operator 40
41 whether similar to matters herein enumerated or not. No unit obligation which is 41
42 suspended under this section shall become due less than thirty (30) days after it 42
43 has been determined that the suspension is no longer applicable. Determination 43
44 of creditable "Unavoidable Delay" time shall be made by the unit operator subject 44
45 to approval of the Supervisor. 45

46 26. NONDISCRIMINATION. In connection with the performance of work under 46
47 this agreement, the operator agrees to comply with all the provisions of Section 47
48 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319) (as amended) 48
49 which are hereby incorporated by reference in this agreement. 49

50 27. LOSS OF TITLE. In the event title to any tract of unitized land 50
51 shall fail and the true owner cannot be induced to join in this unit agreement, 51
52 such tract shall be automatically regarded as not committed hereto and there 52
53 shall be such readjustment of future costs and benefits as may be required on 53
54 account of the loss of such title. In the event of a dispute as to title as to 54
55 any royalty, working interest, or other interests subject thereto, payment or 55
56 delivery on account thereof may be withheld without liability for interest until 56

1 the dispute is finally settled; provided, that, as to Federal land or leases, no 1
2 payments of funds due the United States should be withheld, but such funds shall 2
3 be deposited as directed by the Supervisor to be held as unearned money pending 3
4 final settlement of the title dispute, and then applied as earned or returned in 4
5 accordance with such final settlement. 5

6 Unit Operator as such is relieved from any responsibility for any defect 6
7 or failure of any title hereunder. 7

8 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 8
9 interest in a tract within the unit area fails or refuses to subscribe or consent 9
10 to this agreement, the owner of the working interest in that tract may withdraw 10
11 said tract from this agreement by written notice delivered to the Supervisor and 11
12 the Unit Operator prior to the approval of this agreement by the Supervisor. Any 12
13 oil or gas interests in lands within the unit area not committed hereto prior to 13
14 submission of this agreement for final approval may thereafter be committed hereto 14
15 by the owner or owners thereof subscribing or consenting to this agreement, and, 15
16 if the interest is a working interest, by the owner of such interest also subscrib- 16
17 ing to the unit operating agreement. After operations are commenced hereunder, 17
18 the right of subsequent joinder, as provided in this section, by a working interest 18
19 owner is subject to such requirements or approvals, if any, pertaining to such 19
20 joinder, as may be provided for in the unit operating agreement. After final 20
21 approval hereof, joinder by a non-working interest owner must be consented to in 21
22 writing by the working interest owner committed hereto and responsible for the 22
23 payment of any benefits that may accrue hereunder in behalf of such non-working 23
24 interest. A non-working interest may not be committed to this unit agreement 24
25 unless the corresponding working interest is committed hereto. Joinder to the 25
26 unit agreement by a working interest owner, at any time, must be accompanied by 26
27 appropriate joinder to the unit operating agreement, if more than one committed 27
28 working interest owner is involved, in order for the interest to be regarded as 28
29 committed to this unit agreement. Except as may otherwise herein be provided, 29
30 subsequent joinders to this agreement shall be effective as of the first day of 30
31 the month following the filing with the Supervisor of duly executed counterparts 31
32 of all or any papers necessary to establish effective commitment of any tract to 32
33 this agreement unless objection to such joinder is duly made within 60 days by the 33
34 Supervisor. 34

35 29. COUNTERPARTS. This agreement may be executed in any number of 35
36 counterparts no one of which needs to be executed by all parties or may be 36
37 ratified or consented to by separate instrument in writing specifically referring 37
38 hereto and shall be binding upon all those parties who have executed such a coun- 38
39 terpart, ratification, or consent hereto with the same force and effect as if all 39
40 such parties had signed the same document and regardless of whether or not it is 40
41 executed by all other parties owning or claiming an interest in the lands within 41
42 the above described unit area. 42

43 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 43
44 by any working interest owner of the right to surrender vested in such party by 44
45 any lease, sublease, or operating agreement as to all or any part of the lands 45
46 covered thereby, provided that each party who will or might acquire such working 46
47 interest by such surrender or by forfeiture as hereafter set forth, is bound by 47
48 the terms of this agreement. 48

49 If as a result of any such surrender the working interest rights as to 49
50 such lands become vested in any party other than the fee owner of the unitized 50
51 substances, said party may forfeit such rights and further benefits from oper- 51
52 ation hereunder as to said land to the party next in the chain of title who shall 52
53 be and become the owner of such working interest. 53

54 If as the result of any such surrender or forfeiture working interest 54
55 rights become vested in the fee owner of the unitized substances, such owner may: 55

56 (1) Accept those working interest rights subject to this agreement and 56
57 the unit operating agreement; or 57

1 33. COUNTERPARTS. This agreement may be executed in any number of 1
2 counterparts no one of which needs to be executed by all parties or may be 2
3 ratified or consented to by separate instrument in writing specifically 3
4 referring hereto and shall be binding upon all those parties who have executed 4
5 such a counterpart, ratification, or consent hereto with the same force and 5
6 effect as if all such parties had signed the same document and regardless of 6
7 whether or not it is executed by all other parties owning or claiming an inter- 7
8 est in the lands within the above described unit area. 8

9 IN WITNESS WHEREOF, the parties hereto have caused this agreement to 9
10 be executed and have set opposite their respective names the date of execution. 10

UNIT OPERATOR AND WORKING INTEREST OWNER

UNION OIL COMPANY OF CALIFORNIA

DATE: August 3, 1977

By *Samuel C. Terry*
Attorney-in-Fact *2011*

ADDRESS: P. O. Box 3100
Midland, Texas 79702

WORKING INTEREST OWNERS

ATTEST: _____

By _____

DATE: _____

ADDRESS: _____

THE STATE OF TEXAS, I
 I
COUNTY OF MIDLAND. I

The foregoing instrument was acknowledged before me this 3rd day of
August, 1977, by SAMUEL C. TERRY,
Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA, a California corporation, on
behalf of said corporation.

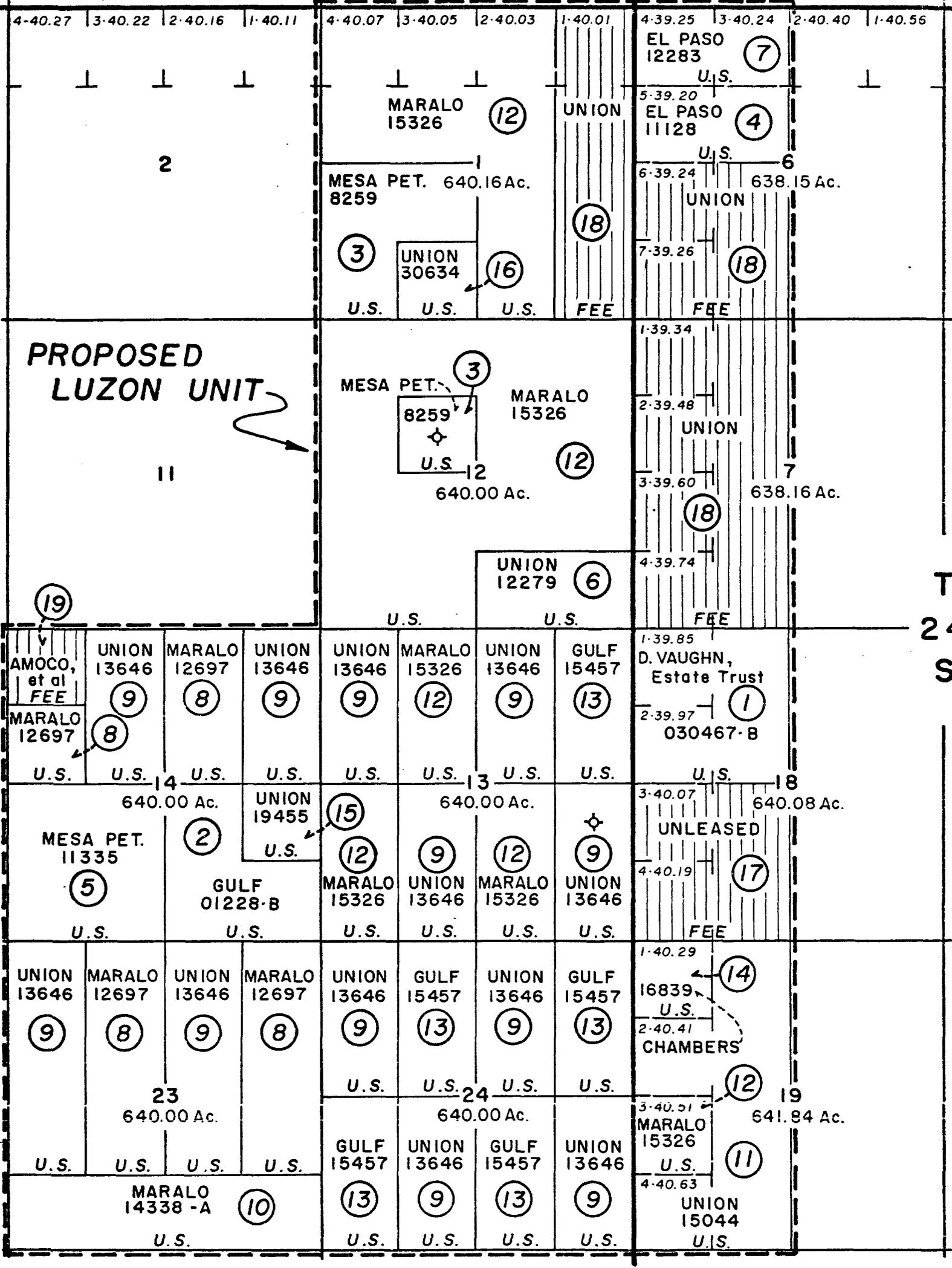
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official
seal the day and year above written.

My Commission expires:
April 27, 1979

Alice M. Jones
Notary Public ALICE M. JONES

R 35 E

R 36 E



PROPOSED LUZON UNIT

11

T 24 S

EXHIBIT "A"
PROPOSED LUZON UNIT
LEA COUNTY, NEW MEXICO

	FEDERAL	4280.50 Ac.	83.64550 %
	FEE	836.93 Ac.	16.35450 %
		5117.43 Ac.	100.00000 %



(1) TRACT NUMBER - EXHIBIT "B"

EXHIBIT B -- LUZON UNIT AREA, LEA COUNTY, NEW MEXICO, T-24-S, R-35-E and R-36-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage		Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage
				U.S.A.	All		FROM SURFACE TO 5000 FEET	BELOW 5000 FEET	
1	Federal Land T-24-S, R-36-E Sec. 18: Lots 1 (39.85), 2 (39.97), E/2 NW/4	159.82	LC 030467-B HBP	U.S.A. (12.5%)	All	FROM SURFACE TO 5000 FEET Harlow Hyland, W.P. Bixler, Dwight Allison, Trustees of the Estate of Daniel Vaughn, Deceased	Grace Brewer Bockman - 1 1/4% of 8/8 Heirs and Devisees of Daniel Vaughn, Deceased - 1 1/4% of 8/8	Continental Oil Company - 25% Chevron Oil Company - 25% Atlantic Richfield Company - 25% Amoco Production Company - 25%	
2	T-24-S, R-35-E Sec. 14: NW/4 SE/4; S/2 SE/4	120.00	New Mexico 01228-B HBP	U.S.A. (12.5%)	All	BELOW 5000 FEET Harlow Hyland, W.P. Bixler, Dwight Allison, Trustees of the Estate of Daniel Vaughn, Deceased	Grace Brewer Bockman - 1 3/16% of 8/8 John W. Bockman - 1/16% of 8/8 Heirs and Devisees of Daniel Vaughn, Deceased - 1 1/4% of 8/8	Continental Oil Company - 25% Chevron Oil Company - 25% Atlantic Richfield Company - 25% Amoco Production Company - 25%	
3	T-24-S, R-35-E Sec. 1: N/2 SW/4, SW/4 SW/4; Sec. 12: SE/4 NW/4	160.00	NM-8259 11-30-78	U.S.A. (12.5%)	All	Gulf Oil Corporation - 50% Midwest Oil Corpora- tion - 25%* The Superior Oil Company - 25%	Edna Ione Hall - 4% Joseph E. McClellan, Jr. - 1% George V. White - 3%** Ann Porter, a/k/a Anne L. Porter*** - 5% of 8/8	Gulf Oil Corporation-50% The Superior Oil Company - 25%; Midwest Oil Corporation - 25%*	

*Unapproved Assignment to Amoco Production Co. for 1/4 Interest.

**3% ORR Burden is out of the respective Working Interests of Superior (1/2) & Midwest/Amoco (1/2).

***Production Payment of \$750 p/a out of 5% of 8/8 ORRI.

EXHIBIT B -- LUZON UNIT AREA, LEA COUNTY, NEW MEXICO, T-24-S, R-35-E and R-36-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty		Lessee	Overriding Royalty and Percentage	Working Interest and Percentage
				Ownership	Percentage Record			
4	T-24-S, R-36-E Sec. 6: Lot 5 (39.20), SE/4 NW/4	79.20	NM-11128 1-31-80	U.S.A. (12.5%)	All	El Paso Natural Gas Company	C.I. Wolfe - 1/3 of 4%; Angielen A. Traylor - 2/3 of 4%	El Paso Natural Gas Company - All
5	T-24-S, R-35-E Sec. 14: SW/4	160.00	NM-11335 2-29-80	U.S.A. (12.5%)	All	Mesa Petroleum Co.	Leo O. Golden - 3%; Central Southwest Oil Corporation Pension Trust - 1.2331% PPI out of \$750 p/a; Robert N. Enfield - .375% PPI out of \$750 p/a; Sunshine Company - .375% PPI out of \$750 p/a; Board of Regents of University of New Mexico - .01352% PPI out of \$750 p/a; Board of Regents of New Mexico Military Institute - .002535% PPI out of \$750 p/a; Conquistador Council Boy Scouts of America Trust Fund - .000845% PPI out of \$750 p/a	Mesa Petroleum Company - All
6	T-24-S, R-35-E Sec. 12: S/2 SE/4	80.00	NM-12279 8-31-80	U.S.A. (12.5%)	All	Union Oil Company of California	John Runnells - PPI of \$1500 p/a out of 1/16%	Union Oil Company of California - All
7	T-24-S, R-36-E Sec. 6: Lot 3 (40.24), Lot 4 (39.25)	79.49	NM-12283 8-31-80	U.S.A. (12.5%)	All	El Paso Natural Gas Company	W.C. Kaufman - .005% Edward R. Hudson, Jr. - 1/8 of .9997% W.T. Probandt - .0003% Melvin A. Brown - .015% William A. Hudson - 7/16 of .9997% Edward R. Hudson, Jr. & William A. Hudson, II, Trustees Under the Will of Edward R. Hudson - 7/16 of .9997%	El Paso Natural Gas Company - All

EXHIBIT B -- LUZON UNIT AREA, LEA COUNTY, NEW MEXICO, T-24-S, R-35-E and R-36-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
8	T-24-S, R-35-E Sec. 14: W/2 NE/4, SW/4 NW/4 Sec. 23: E/2 NE/4, E/2 NW/4, NE/4 SW/4, NE/4 SE/4	360.00	NM-12697 11-30-80	U.S.A. (12.5%) All	M. Ralph Lowe, Inc. - 50% Erma Lowe - 25% Maralo, Inc. - 25%	Erskin Frazier - 1 1/2% Clyde E. Frazier - 1 1/2%	M. Ralph Lowe, Inc. - 1/2 Erma Lowe - 1/4 Maralo, Inc. - 1/4
9	T-24-S, R-35-E Sec. 13: W/2 NE/4, W/2 NW/4, E/2 SW/4, E/2 SE/4 Sec. 14: E/2 NE/4, E/2 NW/4 Sec. 23: W/2 NE/4, W/2 NW/4, NW/4 SW/4, NW/4 SE/4 Sec. 24: W/2 NE/4, W/2 NW/4, E/2 SW/4, E/2 SE/4	1040.00	NM-13646 4-30-81	U.S.A. (12.5%) All	Union Oil Company of California	William B. Kidd - 5%	Union Oil Company of California - All
10	T-24-S, R-35-E Sec. 23: S/2 SW/4, S/2 SE/4	160.00	NM-14338-A 2-28-83	U.S.A. (12.5%) All	Maralo, Inc.	James G. Emerick - 3%	Maralo, Inc. - All
11	T-24-S, R-36-E Sec. 19: Lot 2 (40.41), Lot 4 (40.63), E/2 NW/4, E/2 SW/4	241.04	NM-15044 3-31-83	U.S.A. (12.5%) All	Union Oil Company of California	Central Southwest Oil Corporation Pension Trust - 1 3/4% Jean Supplee - 1 1/2% Robert N. Enfield - 1% R. Hugo C. Cotter - 3/4%	Union Oil Company of California - All
12	T-24-S, R-36-E Sec. 19: Lot 3 (40.51) T-24-S, R-35-E Sec. 1: Lots 2 (40.03), 3 (40.05), 4 (40.07), S/4 NE/4, S/2 NW/4, W/2 SE/4 Sec. 12: NE/4, N/2 NW/4, SW/4 NW/4, SW/4, N/2 SE/4 Sec. 13: E/2 NW/4, W/2 SW/4, W/2 SE/4	1120.66	NM-15326 3-31-82	U.S.A. (12.5%) All	M. Ralph Lowe, Inc. - 50% Erma Lowe - 25% Maralo, Inc. - 25%	David Antongiovanni - 2% C.E. Strange - 1/2% Bank of America N. T. & S.A., Trustee of the Charles E. Strange 1976 Trust #1 - 1 1/2%	M. Ralph Lowe, Inc. - 1/2 Erma Lowe - 1/4 Maralo, Inc. - 1/4

EXHIBIT B -- LUZON UNIT AREA, LEA COUNTY, NEW MEXICO, T-24-S, R-35-E and R-36-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage		Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
				U.S.A. (12.5%)	All			
13	T-24-S, R-35-E Sec. 13: E/2 NE/4 Sec. 24: E/2 NE/4, E/2 NW/4, W/2 SW/4, W/2 SE/4	400.00	NM-15457 8-31-82	U.S.A. (12.5%)	All	Gulf Oil Corporation	Spindletop Oil & Gas Company - 3%	Gulf Oil Corporation - All
14	T-24-S, R-36-E Sec. 19: Lot 1 (40.29)	40.29	NM-16839 9-30-82	U.S.A. (12.5%)	All	Merle C. Chambers	None	Merle C. Chambers - All
15	T-24-S, R-35-E Sec. 14: NE/4 SE/4	40.00	NM-19455 10-31-83	U.S.A. (12.5%)	All	Union Oil Company of California	Jim Hahn - 2 1/2% C.E. Strange - 2 1/2%	Union Oil Company of California - All
16	T-24-S, R-35-E Sec. 1: SE/4 SW/4	40.00	NM-30634 7-31-87	U.S.A. (12.5%)	All	Union Oil Company of California	A. Lansdale - 5%	Union Oil Company of California - All
16 Federal Tracts - 4,280.50 Acres, or 83.64550% of Unit Area.								
Patented Land								
17	T-24-S, R-36-E Sec. 18: Lot 3 (40.07), Lot 4 (40.19), E/2 SW/4	160.26		June Danglede Speight: Unleased - 75% Tenneco Oil Co.: Unleased - 25%				June Danglede Speight - 75% Tenneco Oil Co. - 25%
18	T-24-S, R-35-E Sec. 1: Lot 1 (40.01), SE/4 NE/4, E/2 SE/4	636.67	5/9/78	Lawrence J. Calley - All (18.75%)		Union Oil Company of California	None	Union Oil Company of California - All
T-24-S, R-36-E								
Sec. 6: Lots 6 (39.24), 7 (39.26), E/2 SW/4 Sec. 7: Lots 1 (39.34), 2 (39.48), 3 (39.60), 4 (39.74), E/2 W/2								

EXHIBIT B -- LUZON UNIT AREA, LEA COUNTY, NEW MEXICO, T-24-S, R-35-E and R-36-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
19	T-24-S, R-35-E Sec. 14: NW/4 NW/4	40.00	3/6/78	W. H. Flowers (1.5625% Net) Ellen Berry Turner & Gary J. Turner (1.171875% Net) Onez Norman Rooney - 3/40 Munro Longyear Lyeth & Patricia D. Lyeth, as Joint Tenants with Right of Survivorship - 3/40	Amoco Production Co. Union Oil Company of California	None None	Amoco Production Co. - 1/8 Union Oil Company of California - 29/40 Onez Norman Rooney - 3/40 Munro Longyear Lyeth & Patricia D. Lyeth, as Joint Tenants with Right of Survivorship - 3/40
			5/18/82	HLM Oil and Royalties, Inc. (1.171875% Net) Henry deGraffenried Bedford, Charles Francis Bedford	Union Oil Company of California	None	
			5/19/82	Rachel Bedford Bowen Ellen Anne Wallace Williams, Helen Learmont Bedford (1.875% Net) *Alfred S. Patterson, *Isabelle Patterson Warn Workman, *Tita Chaves Delgado (9.375% Net)	"		

*These interests are subject to the following non-participating royalty interests: Frank Partlow - 1/32 of 1/8; H.P. Schaefer - 2/32 of 1/8; Geo. E. Doran - 1/64 of 1/8; Earl C. Miller - 1/64 of 1/8; A. F. Buckles - 1/32 of 1/8; A. M. Corbin - 1/32 of 1/8; Henry Felt - 1/64 of 1/8; Vera H. Haynes - 10/32 of 1/8; Rose Kendall (Life Estate) - 1/64 of 1/8, remainder to Richard W. Kendall & Rosemary K. Geary.

3 Patented Tracts - 836.93 Acres or 16.35450% of Unit Area.

TOTAL: 19 Tracts - 5,117.43 Acres in entire Unit Area.