

Thomas C. Lowry  
Attorney

*Handwritten initials and signatures:*  
TCL  
EJR  
R. Fox



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 20, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

VIA TELECOPY ONLY

RE: Unit Agreement Exhibits A & B, Inclusion of Allocation Formula in  
Section 13

Dear Working Interest Owner:

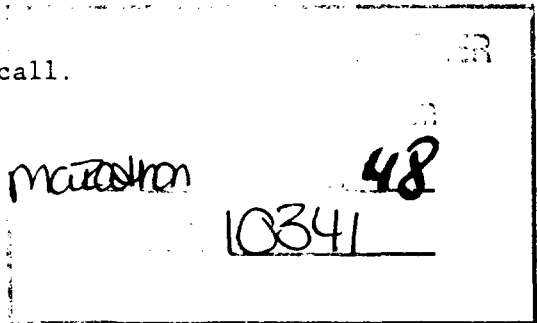
Attached you will find a copy of page 14 of the Unit Agreement which now shows the allocation formula approved at our meeting on May 16, 1991, and copies of what I hope are the final versions of Exhibits A & B of the Unit Agreement. Please examine these at your earliest convenience and let me know if you have any problems.

As a reminder, you are all to let me know before the end of the day on May 21, 1991 if you have any problems with the form of Draft 5 of the Unit Agreement as sent to you on May 9, 1991. If I have received no objections by the end of the day on May 21, I am going to submit the Agreement to BLM along with our application for designation of the unit.

If you have any questions at all, please give me a call.

Sincerely,

*Handwritten signature:* Thomas C. Lowry  
Thomas C. Lowry  
Attorney



xc: Land Dept.  
D. J. Loran  
D. D. Taimuty

TCL30A/1e

RECEIVED

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947

of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner or surface owner.

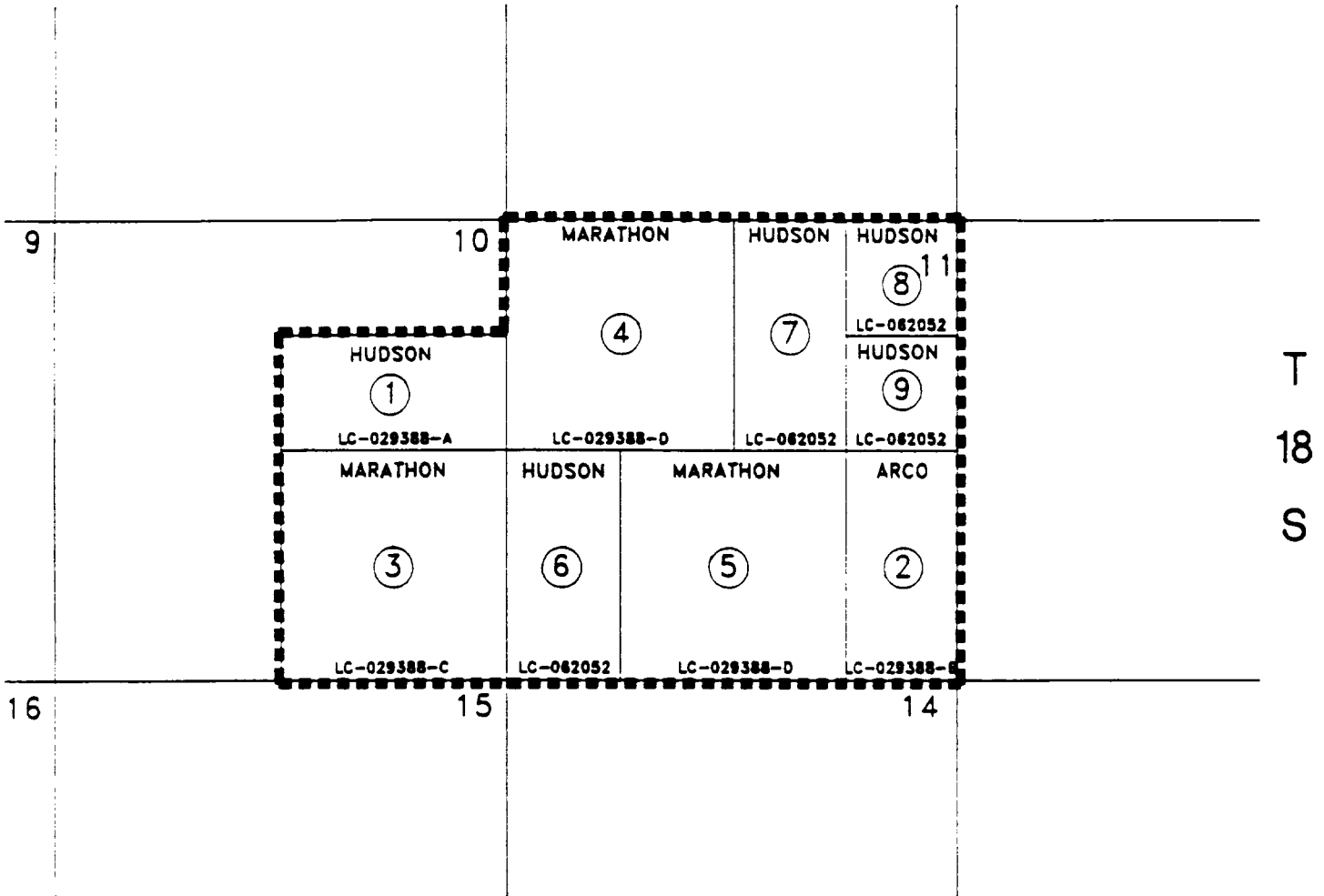
Working Interest Owners shall pay the surface owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations and such payments shall be considered items of Unit Expense to be borne by all the Working Interest Owners.

SECTION 13. TRACT PARTICIPATION. In Exhibit "B" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, during Unit Operations. The Tract Participation of each Tract as shown in Exhibit "B" was determined in accordance with the following formula:

$$\begin{aligned} 5\% & \times \frac{\text{acres in Tract}}{\text{acres in Unit}} \text{ plus} \\ 6\% & \times \frac{\text{usable wellbores in Tract}}{\text{usable wellbores in Unit}} \text{ plus} \\ 56\% & \times \frac{\text{sum of active day average oil rates for all wells on Tract for} \\ & \text{period of Oct. 1, 1990 through March 31, 1991.}}{\text{sum of active day average oil rates for all wells in Unit for} \\ & \text{period of Oct. 1, 1991 through March 31, 1991.}} \text{ plus} \\ 33\% & \times \frac{\text{remaining primary oil under the Tract as of April 1, 1991}}{\text{remaining primary oil under the Unit as of April 1, 1991}} \end{aligned}$$

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 if any Tract is excluded from this Agreement as provided

R - 31 - E



**LEGEND**

----- UNIT BOUNDARY

① TRACT NUMBER

EXHIBIT "A"

**TAMANO (BSSC) UNIT**

EDDY COUNTY, NEW MEXICO

UNIT AREA - 880.00 ACRES  
(ALL FEDERAL LANDS)

SCALE: 1" = 2000'

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage	Percentage Participated in	
1	S/28E/4 Section 10	80	LC-029388-A	USA 12.5	Francis H. Hudson Delmar H. Lewis	John W. Higgins First Interstate Bank of	Marathon Oil Company	25.000000	
Tract #2	T-18-S, R-31-E		12-15-39		Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/W Edward R. Hudson	Roswell, Trustee U/W Geraldine O. Johnson S. P. Johnson, III & Patricia J. Cooper Trustee U/W of S. P. Johnson, Jr. Lodewick Energy, Inc. Richard B. Lodewick Leura Patricia Lodewick John Widney Lodewick Leura B. Lodewick Spindletop Exploration Co. Mary Elizabeth Balsh Katherine Mary Scott Betty Balsh Strohmeyer Margaret Balsh Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnson NCNB Tr. Mat'l Bank & C. R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America *Karen Elizabeth Charles	2.125000 2.125000 .208333 .208334 .625000 .500000 .100000 .100000 .300000 2.400000 1.250000 2.250000 1.500000 1.500000 .268525 .231475 .100000	29.208760 20.791240 5.312500 5.312500 10.625000 3.750000	1.7495

EXHIBIT 'B'  
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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participat Tract in
2 A. J. 11 Fed.	E/2SE/4 Section 11 T-18-S, R-31-E	80	LC-029388-B 12-15-39	USA 12.5	Atlantic Richfield Company	Evelyn Jackson Edwards Floyd Gentry Karen Gentry Schurig Janice Gentry Middlebrooks Mary C. Fulton Charles Kyle Clark	James N. Yates, Inc. Colkelin Corp. Explorers Pet. Corp. Eby, Ltd. Meyco Employees Ltd. Spiral, Inc. Yates Energy Corp. Meyco Dev. Corp. Atlantic Richfield Co.	2.68945 .035000 .035000 2.469375 1.250000 1.285000 3.719375 15.785484 25.420766 50.000000

125

EXHIBIT 'B'  
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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE LIMITED FORMATION FOR THE TAMAMO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participat Tract in	
3	SF/4 Section 10	160	LC-029188-C 12-28-39	USA 12.5	Marathon Oil Company	John W. Higgins Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/24/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustees U/A S. P. Johnson Jr. Lodewick Energy, Inc. .083333 Richard B. Lodewick .125000 Laura Patricia Lodewick .208333 John Widney Lodewick .208334 Laura B. Lodewick .625000 Spindletop Exploration Co. .500000 Mary Elizabeth Balsh .016666 Katherine Mary Scott .016667 Betty Balsh Stridmeyer .050000 Margaret Balsh Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart .250000 Margaret Jane Johnston MCMB Tr. Nat'l Bank & C.R. .250000 Selma E. Andrews Trust dated 5/8/69 .268525 Braille Institute of America .231475 Karen Elizabeth Charles .016666	Marathon Oil Company & Production Co. Valrico Oil & Gas Co. Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson Moore & Shelton Co. Ltd. 3.750000	25.000000 29.208760 20.791240 5.312500 5.312500 10.625000 3.750000	30.9136

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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMAMO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participatio Tract in U
4 Johnson R. Fedl. Tract #1	MU/4 Section 11 T-18-S, R 31 E	160	LC-029386-D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 100.0	22.49964



EXHIBIT '8'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMAND (855C) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Participat Tract in
5 Johnson B Federal	E/2SW/4, W/2SE/4 Section 11 T 18 S, R 31 E	160	LC-029308 D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 66.666667 Francis H. Hudson 7.083334 Delmar H. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U.W. Edward R. Hudson 14.166667 Moore & Shelton Co. Ltd. 4.999999	23.05599

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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No.	Description of land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participati Tract in
6	W/25U/4 Section 11	80	LC-062052	USA 12.5	Francis M. Hudson	Margaret Balsh Masters	Marathon Oil Company	12.52820
Hugart R	1-18 S. R. 31-E		12-15-39 Exchange 12-1-59		Delmar H. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/W Edward R. Hudson	Betty Balsh Strommeyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Francis M. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U,W Edward R. Hudson Moore & Shelton Co. Ltd.	7.083334 7.083333 .083333 1.250000 14.166667 6.999999 1.250000

1.12

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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNLITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY CREEK, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Perc Partic Tract		
7	W/2NE/4 Section 11 T-18-S, R-31-E	80	LC-062052 12-15-39 Exchange 12-1-59	USA 12.5	Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr., & William A. Hudson, III, Trustees U/W Edward R. Hudson	Margaret Balish Masters Betty Balish Strohmeyer Karen Elizabeth Charles Katherine Mary Scott Mrgy Elizabeth Balish Margarret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francie H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/W Edward R. Hudson, Deceased Moore & Shelton Co., Ltd. Sally Meader-Roberts W. E. Groves	Explorers Petroleum Corp. Eby, Ltd. Lauralind Corporation Neyco Employees Ltd. Spiral, Inc. James H. Yates, Inc. Colkelan Corporation Kerr-McDee Corp. Yates Energy Corporation Tom Stephens Rogers Aston Bearing Services Manzano Oil Corp. Neyco Development Corp. James Guy Loy Fletcher J. T. Jackson	2.000000 .250000 .083334 .083333 .083333 1.250000 1.250000 1.593750 1.593750 3.187500 1.125000 .500000 -500000	4.188750 1.250000 2.000000 2.370000 5.038750 .070000 20.000000 17.820969 2.500000 2.500000 2.625000 1.750000 33.241531 1.750000 .875000 1.750000	4.03

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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation Tract in U	
A Section 11 1 8's	E/2NE/4 Section 11 1 18 S., R. 31 E	80	LC-062057 12-15-39 Exchange 12-1-59	USA 12.5	Francis H. Hudson	Margaret Balsh Masters	2.000000	James H. Yates, Inc.	.035000
					Delmar H. Lewis	Betty Balsh Strohmeyer	.250000	Colkelan Corp.	.035000
					Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/W Edward R. Hudson	Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson	.083334 .083333 .083333 1.250000	Explorers Pet. Corp. Eby, Ltd. Neyco Employees Ltd. Spiral, Inc.	2.469375 1.250000 1.285000 3.719375
						San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	1.250000	Neyco Dev. Corp.	15.785484
						Francis H. Hudson	1.593750	Atlantic Richfield Co.	50.000000
						Delmar H. Lewis	1.593750		
						Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/W Edward R. Hudson	3.187500		
						Moore & Shelton Co., Ltd.	1.125000		
						Sally Heeder-Reberts	.250000		
						O. E. Groves	.250000		
						Explorers Petroleum Corp.	.026344		
						Eby, Ltd.	.012500		
						Neyco Employees, Ltd.	.012500		
						Spiral, Inc.	.036844		
						Yates Energy Corp.	.157855		
						Neyco Development Corp.	.247207		
						M. I. Wynn	.008750		

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 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAHAMO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation Tract in Unit		
0	E/2NE/4 Section 11	80	LC-062052	USA (sliding scale)	Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/W Edward R. Hudson	Margaret Balsh Masters Betty Balsh Strohmeier Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/W Edward R. Hudson, Deceased Moore & Shelton Co., Ltd. Sally Header-Roberts O. E. Groves Explorers Petroleum Corp. Eby, Ltd. Heyco Employees, Ltd. Spiral, Inc. Yates Energy Corp. Heyco Development Corp. W. F. Wynn	2.000000 .250000 .083334 .083333 .083333 1.250000 1.250000 1.593750 1.593750 1.593750 3.187500 1.125000 .250000 .250000 .024344 .012500 .036844 .157855 .247207 .008750	James H. Yates, Inc. Coklelm Corp. Explorers Pet. Corp. Eby, Ltd. Heyco Employees Ltd. Spiral, Inc. Yates Energy Corp. Heyco Dev. Corp. Atlantic Richfield Co.	.035000 .035000 2.469375 1.250000 1.285000 3.719375 15.785484 25.420766 50.000000	1.08235