

UNIT OPERATING AGREEMENT

CANADA OJITOS UNIT AREA

RIO ARRIBA COUNTY, NEW MEXICO

THIS AGREEMENT, made as of the first day of March, 1981, by and among the parties who execute or ratify this agreement or a counterpart hereof,

WITNESSETH:

WHEREAS, the Parties have committed their interests into that certain UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE CANADA OJITOS UNIT AREA, County of Rio Arriba, State of New Mexico, dated as of the 19th day of June, 1963, and hereinafter referred to as the "Unit Agreement", covering the lands described in Exhibit 1 hereto attached, which lands are referred to in the Unit Agreement and in this agreement as the "Unit Area" and which Unit Area may, by the terms of the Unit Agreement, be expanded or contracted, and lands in the Unit Area shall be the lands covered by this agreement, insofar as the oil and gas leases thereunder are committed to the Unit Agreement by the Parties hereto; and

WHEREAS, the Parties enter into this agreement pursuant to Section 7 of the Unit Agreement;

WHEREAS, the Parties currently are considering expanding the Unit Area, but whether or not it is expanded, the Parties nevertheless enter into this Agreement;

NOW THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

Construction of Regulatory Authorities and Names.

The authority of the Federal Power Commission, as identified herein, has been superseded by that of the Federal Energy Regulatory Commission, and wherever in the following articles (particularly article 37) the words "Federal Power Commission" appear they shall be construed to mean "Federal Energy Regulatory Commission", or such other appropriate succeeding governmental authority; as is proper;

Special Definitions:

Main Mancos formation: as used herein means those members of the Mancos formation from its top to the base of the Greenhorn member; and is equivalent to that stratigraphic interval shown on the Schlumberger electric log of the Canada Ojitos Unit No. O-9 well, located in the southeast quarter of Section 9, Township 26 North, Range 1 West, between the depths of 6155' and 8137'; such reference electric log being the Schlumberger Induction Electric log run June 18, 1963 with well identification of "Bolack-Greer No. 1 Bolack";