

CASE NO.

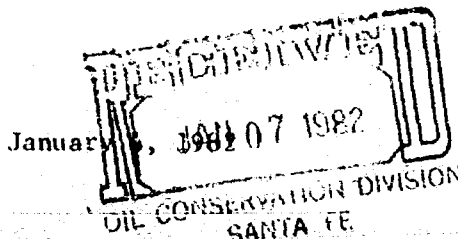
7450

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

EDMUNDSON, INC.

R.B. EDMUNDSON

MAILING ADDRESS:
P.O. BOX 1707
DENVER, COLORADO 80201
303 629-1850



TO: WORKING, BASIC, AND OVERRIDING ROYALTY INTEREST OWNERS

Re: Ojito Unit Area
Rio Arriba County, New Mexico

Ladies and Gentlemen:

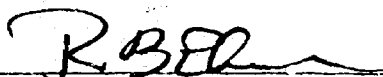
Enclosed is a copy of letter dated December 31, 1981, from the United States Geological Survey advising the Ojito Unit Area is terminated effective December 31, 1981.

On behalf of Kenai Oil and Gas Inc. I wish to thank you for the help you extended in this project.

Very truly yours,

EDMUNDSON, INC.

By


R. B. Edmundson

RBE:clv

Enclosure

cc with attachments:

Mr. Nutter
New Mexico Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date DECEMBER 28, 1981 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Roy B. Edmundson	Edmundson, Inc.	Denver
Stephen J. Wickens	Kenai Oil and Gas Inc.	Denver
W. P. Kellahin	Kellahin + Kellahin	Santa Fe
Bruce Huker	Bryson	Santa Fe

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

28 December 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Kensai Oil and Gas, CASE
Inc., for a unit agreement, Rio 7450
Arriba County, New Mexico.

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

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I N D E X

ROY EDMUNDSON

Direct Examination by Mr. Kellahin	3
Cross Examination by Mr. Nutter	10

ALFRED WILCKENS

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E X H I B I T S

Applicant Exhibit One, Unit Agreement	4
Applicant Exhibit Two, Approval from USGS	8
Applicant Exhibit Three, Isopach Map	12
Applicant Exhibit Four, Unit Area Map	12

1
2 MR. NUTTER: The hearing will please
3 come to order.

4 We'll call Case Number 7450.

5 MR. PEARCE: Application of Kenai Oil
6 and Gas, Inc., for a unit agreement, Rio Arriba County, New
7 Mexico.

8 MR. KELLAHIN: If the Examiner please,
9 I'm Tom Kellahin of Santa Fe, New Mexico, appearing on be-
10 half of the applicant, and I have two witnesses to be sworn.

11
12 (Witnesses sworn.)

13
14 ROY EDMUNDSON

15 being called as a witness and being duly sworn upon his oath,
16 testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. KELLAHIN:

20 Q Mr. Edmundson, would you please state
21 your name and occupation, sir?

22 A My name is Roy Edmundson. I'm a petro-
23 leum landman.

24 Q What is your relationship with the
25 applicant, Kenai Oil and Gas?

1
2 A. The firm which I represent is forming
3 and finalizing the -- this unit agreement for Kenai as the
4 operator.

5 MR. NUTTER: Where are you located, Mr.
6 Edmundson?

7 A. In Denver.

8 MR. NUTTER: Denver.

9 Q Pursuant to your employment by Kenai,
10 Mr. Edmundson, have you in fact prepared a unit agreement
11 for the operation of certain properties in Rio Arriba County,
12 New Mexico?

13 A. I have.

14 Q And have you previously testified be-
15 fore the Oil Conservation Division as a petroleum landman?

16 A. I have.

17 MR. KELLAHIN: We tender Mr. Edmundson
18 as an expert petroleum landman.

19 MR. NUTTER: Mr. Edmundson is so qual-
20 ified.

21 Q Mr. Edmundson, I direct your attention
22 to what has been marked as Applicant Exhibit Number One,
23 which is the unit agreement, and ask you, sir, to identify
24 first of all what the formation is that you seek to have
25 unit approval?

1

2

A All right.

3

4

This is the form of unit agreement which has been adopted by the Survey, with modifications so requested by them, and we've included the State provisions.

6

7

8

9

The formation to be penetrated is a two well obligation, both wells to be drilled to a total depth of 2600 feet, and you'll have to help me on the pronunciation of the formation.

10

A SPECTATOR: Nacimiento.

11

12

A Thank you, and it's a two well obligation.

13

14

Q What is the name of the unit, Mr. Edmundson?

15

A Ojito.

16

Q Ojito.

17

18

A Thank you. I'm not doing very well today.

19

20

Q What kind of lands are include in the unit, Mr. Edmundson?

21

22

23

24

25

A The unit is comprised of Federal and patented lands and the Federal lands comprise 63.61 percent of the unit area, and patented lands, which are 36.39. The total acreage in the unit is 61 -- 6,114.94, rather a small unit.

1
2 Q Since filing the application, Mr. Ed-
3 mundson, there has been some changes in the description of
4 the acreage to be included in the unit insofar as the unit
5 area has been contracted slightly. Would you --

6 A Yes.

7 Q -- identify for the Examiner what
8 changes have been made in the unit?

9 A Yes. The west half of Section 7 was
10 deleted from the unit area, as it has been included in the
11 proposed expansion of another unit by Benson, Montin, & Greer.

12 Q We excluded the west half of Section 7,
13 Mr. Nutter. That was part of the Canada Ojitos third ex-
14 pansion.

15 MR. NUTTER: Okay.

16 Q Can you identify for us, Mr. Edmundson,
17 what, if any, parties or individuals have not yet committed
18 their interests in the unit to the unit?

19 A Two parties have not committed their
20 interests to this unit. The working interest owner, Gulf
21 Oil Corporation, advised that their lands were held by pro-
22 duction, they would prefer not to commit their interest to
23 the unit at this time; however, in the event it would -- be-
24 came crucial for approval of the unit, they would reconsider
25 their situation.

1

2

Q They have two 160-acre tracts?

3

A They have two 160-acre tracts and a

4

gentleman fee owner, Mr. Rook (sic) refused to join the unit.

5

He requested a consideration that the people I'm working for

6

didn't feel that that was in order.

7

Q It's O'R-O-U-R-K-E, O'Rourke?

8

A Right.

9

Q And where is his interest, Mr. Edmundson?

10

A Well, his interest is up in the extreme

11

northern portion of the unit, and is really not a pertinent

12

matter to -- for him to commit at this time; however, in the

13

event that production does come close to his land, I am sure

14

that he would reconsider his situation.

15

Q He has interests up in Tract 10, up in

16

the northwest --

17

A Right.

18

Q -- corner of the unit in Sections 30 --

19

A Yes.

20

Q -- and 29.

21

A Yes, the extreme northwest corner, right.

22

Q Apart from those two individuals or

23

corporations, everyone else has committed their interest.

24

A That's correct.

25

Q All right, and what is the status of

1
2 the unit insofar as obtaining U. S. Geological Survey appro-
3 val?

4 A The unit has been approved by the Survey
5 effective the 23rd of December.

6 MR. KELLAHIN: That is our Exhibit Num-
7 ber Two, Mr. Nutter. It is an approval from the USGS.

8 Q This is an exploratory unit, is it not,
9 Mr. Edmundson?

10 A It is an exploratory on-shore type unit.

11 Q And when do you propose to commence the
12 first well?

13 A The first wells are now drilling, is
14 that not correct?

15 A SPECTATOR: As I understand it, yes.

16 A This is what I was told.

17 Q Why is it necessary to obtain the imme-
18 diate approval of the unit?

19 A There are a number of Federal leases
20 which have been extended by drilling and they will expire
21 12-31-31. The people which I am working for, Kenai, feels
22 that they -- this area does have merit and they would prefer
23 to keep these lands active as long as possible.

24 There is -- this formation, which the
25 objective depth has been set forth in the unit agreement,

1 which is a new formation, producing formation, in this area.

2 Q What is the mechanics of the extension
3 of the Federal oil and gas leases committed to the unit?

4 A These leases, they get production and
5 secure a participating area, have it declared a producing
6 unit, and all committed leases thereto fall under a held by
7 production status.

8 Q Do you have to have actual production
9 prior to the end of December to retain them?

10 A They have to be capable of producing;
11 a stabilizing test will suffice.

12 Q Drilling over the end of the lease term
13 will not hold the lease?

14 A No, sir.

15 Q What is the method of participation in
16 the unit?

17 A You mean as far as --

18 Q Straight acreage, or --

19 A It is. Everything is based on a sur-
20 face acre basis.

21 Q Okay. And you prepared Exhibit Number
22 One and the attachments to the unit agreement?

23 A Correct.

24 Q All right, sir.

1
2 MR. KELLAHIN: That concludes our exam-
3 ination of Mr. Edmundson.

4 MR. NUTTER: Are there any questions of
5 Mr. Edmundson?
6

7 CROSS EXAMINATION

8 BY MR. NUTTER:

9 Q Now, Mr. Edmundson, as I understand it,
10 all the working interests throughout this entire unit, with
11 the exception of the Gulf 160-acre unit tracts, are committed.

12 A Yes, sir, that's correct.

13 Q And all the royalty interest is committed
14 except the O'Rourke royalty --

15 A That's correct.

16 Q -- which is under Tract 10.

17 A Yes, sir.

18 Q Okay.

19 MR. NUTTER: Are there any further ques-
20 tions of Mr. Edmundson?

21 MR. KELLAHIN: No, sir.

22 MR. NUTTER: He may be excused.

23 MR. KELLAHIN: I'd like to call Mr.
24 Wilckens. That's W-I-L-C-K-E-N-S.
25

ALFRED WILCKENS

being called as a witness and being duly sworn upon his oath,
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELIAHN:

Q Mr. Wilckens, would you please state
your name and occupation, sir?

A Alfred Wilckens, geologist.

Q Mr. Wilckens, have you previously testi-
fied before the Oil Conservation Division?

A No, sir.

Q Would you indicate for Mr. Nutter when
and where you obtained your degree in geology?

A I have a Bachelor of Science from Stan-
ford in 1950.

Q Subsequent to graduation as a geologist,
Mr. Wilckens, would you summarize generally where you've
worked as a geologist?

A Well, I have about four years in Cali-
fornia; about four years of western Canada; and the rest of
it has been spent here in the Rocky Mountains, covering most
of the area, primarily Wyoming, Four Corners area, Utah. You

1
2 might say concentrated, over about the last three and a half
3 years I've spent a good deal of time on the San Juan Basin
4 down here.

5 Q And you are a geologist for Kenai Oil
6 and Gas Company?

7 A Yes.

8 MR. KELLAHIN: We tender Mr. Wilckens
9 as an expert geologist.

10 MR. NUTTER: Mr. Wilckens is qualified.

11 Q Mr. Wilckens, let me --

12 MR. NUTTER: Are you in Denver, Mr.
13 Wilckens?

14 A Yes, sir.

15 MR. NUTTER: Okay.

16 Q Mr. Wilckens, let me direct you to two
17 exhibits, which we've marked as Exhibit Three and Exhibit
18 Four.

19 If you would, sir, give us a general
20 description of the geology for the proposed unit, identifying
21 how you prepared your Isopach map and give us the locations
22 of at least the first well to be drilled by the unit.

23 A Well, this was kind of a surprise to
24 us. This is the Nacimiento formation. We went in here
25 drilling for the Pictured Cliffs, and along about our second

1
2 well we hit this unusual -- in Section 12, northwest north-
3 east of Section 12, 24 North, 1 West. And we hit this sand.
4 We didn't -- we completed it. It came in for something
5 around 3-million cubic feet of gas per day. We still didn't
6 get too excited about it because we didn't know what kind of
7 production it would do.

8 But when the thing kept producing, and
9 it's now produced, I understand, about 200-million cubic
10 feet of gas, went back and reviewed this, and noticed that
11 we'd also had some shows in these sands along up through the
12 other wells where we'd already drilled; and some of the --
13 so I reviewed the logs and found out that these sands did
14 occur in these.

15 So taking a larger area than this on
16 either side of it, I went through these and just marked what
17 wells, based on the information we had from this, looked like
18 they could be productive, and when I got through I had a
19 series of wells right up through here, and ironically, they
20 do not seem to occur outside of this area. You can go on up
21 a little ways north and a little ways south.

22 MR. NUTTER: What is this, just a little
23 sand formation that's in that shale that --

24 A. If you'd be -- I have a published cross
25 section that I ran into after this, if you'd be interested

1
2 in just taking a look, I can show you what these are. It's
3 in a professional paper.

4 MR. NUTTER: I'd like to see that after
5 the hearing.

6 A All right. But as the actually corre-
7 lating any particular sand, you might say, is difficult, but
8 they do occur in here and one of them seems to occur right
9 on up through here.

10 Q These have all been Pictured Cliffs wells
11 that you've used to map the Nacimiento --

12 A That's right.

13 Q -- on?

14 A Everything's been Pictured Cliffs.

15 Q All right. Would you identify for us
16 the location for the unit well that is now drilling?

17 A Let's see, that will be in the Section
18 2, 24 North, 2 West, the southeast of the southwest.

19 Q All right, sir. In your opinion, Mr.
20 Wilckens, does the proposed unit area overlie what you be-
21 lieve to be the configuration of the producing sands for this
22 Nacimiento production?

23 A Yes, sir.

24 Q Was Exhibit Three and Four prepared by
25 you or compiled under your direction?

1

2

A. That's right, yes.

3

4

5

MR. KELLAHIN: That concludes our examination of Mr. Wilckens. We move the introduction of Exhibits One, Two, Three, and Four.

6

7

MR. NUTTER: Exhibits One through Four will be admitted in evidence.

8

9

Are there any questions of Mr. Wilckens?

10

CROSS EXAMINATION

11

BY MR. NUTTER:

12

13

14

Q Mr. Wilckens, as I understand it, there have been two wells completed in this Nacimiento to date and a third well is drilling --

15

A. Right.

16

Q -- at the present time.

17

A. Correct.

18

19

Q And the unit agreement requires production rather than just drilling in order to hold the leases.

20

MR. EDMUNDSON: That's correct.

21

22

MR. NUTTER: And you have quite a number of leases expiring 12-31, is that correct, Mr. Edmundson?

23

MR. EDMUNDSON: That's correct.

24

25

MR. NUTTER: Okay. Are there any further questions of Mr. Wilckens? He may be excused.

Do you have anything further, Mr.

Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything
they wish to offer in Case Number 7450?

We will take the case under advisement
and the hearing is adjourned.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion Division was reported by me; that the said transcript
is a full, true, and correct record of the hearing, prepared
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

January 8, 1982

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 7450
ORDER NO. R-6872

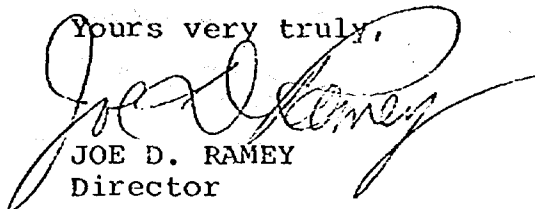
Applicant:

Kenai Oil and Gas Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Division order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7450
Order No. R-6872

APPLICATION OF KENAI OIL AND GAS
INC. FOR APPROVAL OF THE OJITOS UNIT
AGREEMENT, RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 28, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of January, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Kenai Oil and Gas Inc., seeks approval of the Ojito Unit Agreement covering 6,114.94 acres, more or less, of Federal and Fee lands described as follows:

RIO ARriba COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM
Section 18: All

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM
Section 2: All
Section 3: E/2 and E/2 W/2
Section 10: E/2
Sections 11 and 12: All

-2-

Case No. 7450

Order No. R-6872

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM

Section 27: SW/4

Section 28: W/2 and SE/4

Section 29: All

Section 30: E/2 E/2

Sections 33 and 34: All

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Ojito Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

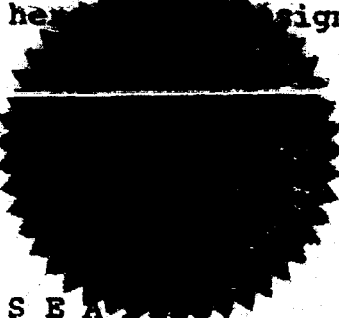
(5) That this order shall become effective upon the approval of said unit agreement by the Director of the United States Geological Survey; that this order shall terminate ipso

-3-
Case No. 7450
Order No. R-6872

facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Done at Santa Fe, New Mexico, on the day and year hereinafter designated.



S E A

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY,
Director



United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region

P. O. Box 26124
Albuquerque, New Mexico 87125

DEC 21 1981

DEC 16 1981

Edmundson, Inc.
Attention: Roy Edmundson
P. O. Box 1707
Denver, Colorado 80201

Gentlemen:

Your application of December 10, 1981, filed with the Deputy Conservation Manager, Oil and Gas, Albuquerque, New Mexico, requests the designation of the Ojitos unit area, embracing 6424.50 acres, more or less, Rio Arriba County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit A", Ojito Unit Area, Rio Arriba County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for two wells to test the Nacimiento Formation, or to a depth of 2,600 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application, provided it is further modified as requested during the meeting of December 10, 1981.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas, for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Deputy Conservation Manager, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves fee land, we are sending a copy of the letter to the New Mexico Oil Conservation Division. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

(ORIG. SGD.) GENE F. DANIEL

~~FOR~~ James W. Sutherland
Conservation Manager
for the Director

cc:

NMOCD, Santa Fe

District Supervisor (w/app)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
OJITO UNIT AREA
COUNTY OF RIO ARriba
STATE OF NEW MEXICO
No. _____

THIS AGREEMENT, entered into as of the 18th day of December 19 81, 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. Sec. 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 Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

WHEREAS the parties hereto hold sufficient interests in the Ojito Unit Area covering the land hereinafter described to give reasonably effective control of operations thereon 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 following described land is hereby designated and recognized as constituting the unit area:

KENAL

Township 25 North, Range 2 West, N.M.P.M.

Sec. 27: SW $\frac{1}{4}$ -

Sec. 28: W $\frac{1}{2}$, SE $\frac{1}{4}$ -

Sec. 29: All -

Sec. 30: All - *NO E/2 E/2 only*

Sec. 33: All -

Sec. 34: All -

Township 24 North, Range 1 West, N.M.P.M.

Sec. 18: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ -

Township 24 North, Range 2 West, N.M.P.M.

Sec. 2: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ -

Sec. 3: Lots 1,2,3, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$,
SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ -

Sec. 10: E $\frac{1}{2}$ -

Sec. 11: All -

Sec. 12: All -

Containing 6,114.94 acres, more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Deputy Conservation Manager, Oil and Gas, hereinafter referred to as "Deputy" and not less than five copies of the revised Exhibits shall be filed with the Deputy and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission".

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

(a) Unit Operator, on its own motion or on demand of the Conservation Manager of the Geological Survey, hereinafter referred to as "Manager", after preliminary concurrence by the Manager, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Deputy and State Commission, become effective as of the date prescribed in the notice thereof.

(e) Notwithstanding any prior elimination under the Drilling to Discovery Section, all legal subdivisions of land (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Deputy and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR. Kenai Oil and Gas Inc. 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 discovery, development, and 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 an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, 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 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Deputy, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Deputy, 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.

1 Unit Operator shall have the right to resign in like manner and subject to 1
2 like limitations as above provided at any time a participating area established 2
3 hereunder is in existence, but, in all instances of resignation or removal, until 3
4 a successor unit operator is selected and approved as hereinafter provided, the 4
5 working interest owners shall be jointly responsible for performance of the duties 5
6 of unit operator, and shall not later than 30 days before such resignation or 6
7 removal becomes effective appoint a common agent to represent them in any action 7
8 to be taken hereunder. 8
9 9

10 The resignation of Unit Operator shall not release Unit Operator from any 10
11 liability for any default by it hereunder occurring prior to the effective date 11
12 of its resignation. 12
13 13

14 The Unit Operator may, upon default or failure in the performance of its 14
15 duties or obligations hereunder, be subject to removal by the same percentage vote 15
16 of the owners of working interests as herein provided for the selection of a new 16
17 Unit Operator. Such removal shall be effective upon notice thereof to the Deputy. 17
18 18

19 The resignation or removal of Unit Operator under this agreement shall not 19
20 terminate its right, title, or interest as the owner of a working interest or other 20
21 interest in unitized substances, but upon the resignation or removal of Unit 21
22 Operator becoming effective, such Unit Operator shall deliver possession of all 22
23 wells, equipment, materials, and appurtenances used in conducting the unit opera- 23
24 tions to the new duly qualified successor Unit Operator or to the common agent, if 24
25 no such new Unit Operator is elected, to be used for the purpose of conducting 25
26 unit operations hereunder. Nothing herein shall be construed as authorizing 26
27 removal of any material, equipment and appurtenances needed for the preservation of 27
28 any wells. 28
29 29

30 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 30
31 or its resignation as Unit Operator or shall be removed as hereinabove provided, or 31
32 a change of Unit Operator is negotiated by working interest owners, the owners of 32
33 the working interests in the participating area or areas according to their respec- 33
34 tive acreage interests in such participating area or areas, or, until a participat- 34
35 ing area shall have been established, the owners of the working interests according 35
36 to their respective acreage interests in all unitized land, shall by majority vote 36
37 select a successor Unit Operator: Provided, that, if a majority but less than 75 37
38 percent of the working interests qualified to vote are owned by one party to this 38
39 agreement, a concurring vote of one or more additional working interest owners 39
40 shall be required to select a new operator. Such selection shall not become effec- 40
41 tive until: 41
42 42

43 (a) a Unit Operator so selected shall accept in writing the duties and 43
44 responsibilities of Unit Operator, and 44
45 45

46 (b) the selection shall have been approved by the Deputy. 46
47 47

48 If no successor Unit Operator is selected and qualified as herein provided, 48
49 the Manager at his election may declare this unit agreement terminated. 49
50 50

51 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is 51
52 not the sole owner of working interests, costs and expenses incurred by Unit 52
53 Operator in conducting unit operations hereunder shall be paid and apportioned 53
54 among and borne by the owners of working interests, all in accordance with the 54
55 agreement or agreements entered into by and between the Unit Operator and the 55
56 owners of working interests, whether one or more, separately or collectively. Any 56
57 agreement or agreements entered into between the working interest owners and the 57
58 Unit Operator as provided in this section, whether one or more, are herein referred 58
59 to as the "unit operating agreement." Such unit operating agreement shall also pro- 59
60 vide the manner in which the working interest owners shall be entitled to receive 60
61 their respective proportionate and allocated share of the benefits accruing hereto 61
62 in conformity with their underlying operating agreements, leases, or other inde- 62
63 pendent contracts, and such other rights and obligations as between Unit Operator 63
64 and the working interest owners as may be agreed upon by Unit Operator and the 64

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 this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Deputy, prior to approval of this unit agreement.

8. 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 which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Deputy, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Nacimiento formation has been fully tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Deputy that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 2,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Deputy or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Deputy may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Notwithstanding anything in this unit agreement to the contrary, except the "Unavoidable Delay" Section 25, two (2) wells should be drilled with not more than six (6) months' time elapsing between completion of the first well and commencement of the second well; regardless of whether a discovery has been made in the first well. The initial test well must be drilled in compliance with the above specified formation or depth in order to meet the requirements of this Section. The additional test well shall be diligently drilled, at a location approved by the Deputy, to a depth of 2,600 feet or until the Nacimiento formation has been fully tested. The two (2) test wells shall be located a minimum of 1½ miles from each other in order to be accepted by the Deputy as one of the two (2) test wells. Nevertheless, in the event of discovery of unitized substances in paying quantities by the first well, the unit agreement shall not terminate for failure to complete the two (2) well program, but the unit area shall be contracted automatically, effective the first day of the month following default, to eliminate by subdivisions (as defined in Section 2(e) hereof) all lands not then entitled to participation.

Upon failure to commence any well provided for in this section within the time allowed, prior to the establishment of a participating area, including any extension of time granted by the Deputy, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Deputy may, after 15 days notice to the Unit Operator, declare this unit agreement terminated.

tion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Deputy and State Commission an acceptable plan of development and operation for the unitized land which, when approved by the Deputy and State Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Deputy and State Commission a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

Separate plans may be submitted for separate productive zones, subject to the approval of the Deputy and State Commission.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Deputy is authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Deputy and State Commission, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Deputy or the State Commission, the Unit Operator shall submit for approval by the Deputy and State Commission a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Deputy and State Commission to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Deputy and the State Commission. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Deputy and State Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of

1 the month in which is obtained the knowledge or information on which such revision 1
2 is predicated, provided, however, that a more appropriate effective date may be 2
3 used if justified by the Unit Operator and approved by the Deputy and State Commis- 3
4 sion. No land shall be excluded from a participating area on account of depletion 4
5 of the unitized substances, except that any participating area established under 5
6 the provisions of this unit agreement shall terminate automatically whenever all 6
7 completions in the formation on which the participating area is based are 7
8 abandoned. 8
9 9

10 It is the intent of this section that a participating area shall represent 10
11 the area known or reasonably estimated to be productive in paying quantities; 11
12 but, regardless of any revision of the participating area, nothing herein contained 12
13 shall be construed as requiring any retroactive adjustment for production 13
14 obtained prior to the effective date of the revision of the participating area. 14
15 15

16 In the absence of agreement at any time between the Unit Operator and the 16
17 Deputy and State Commission, as to the proper definition or redefinition of a par- 17
18 ticipating area, or until a participating area has, or areas have, been established 18
19 as provided herein, the portion of all payments affected thereby shall be impounded 19
20 in a manner mutually acceptable to the owners of working interests and the Deputy. 20
21 Royalties due the United States shall be determined by the Deputy and the amount 21
22 thereof shall be deposited, as directed by the Deputy, to be held as unearned money 22
23 until a participating area is finally approved and then applied as earned or 23
24 returned in accordance with a determination of the sum due as Federal royalty on 24
25 the basis of such approved participating area. 25
26 26

27 Whenever it is determined, subject to the approval of the Deputy and State 27
28 Commission that a well drilled under this agreement is not capable of production in 28
29 paying quantities and inclusion of the land on which it is situated in a partici- 29
30 pating area is unwarranted, production from such well shall, for the purposes of 30
31 settlement among all parties other than working interest owners, be allocated to 31
32 the land on which the well is located unless such land is already within the 32
33 participating area established for the pool or deposit from which such production 33
34 is obtained. Settlement for working interest benefits from such a well shall be 34
35 made as provided in the unit operating agreement. 35
36 36

37 Determination as to whether a well completed within the Unit Area prior to the 37
38 effective date of this agreement is capable of producing unitized substances in 38
39 paying quantities shall be deferred until an initial participating area is estab- 39
40 lished as a result of the completion of a well for production in paying quantities 40
41 in accordance with Section 9 hereof. 41
42 42

43 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 43
44 participating area established under this agreement, except any part thereof used 44
45 in conformity with good operating practices within the unitized area for drilling, 45
46 operating, camp and other production or development purposes, for repressuring or 46
47 recycling in accordance with a plan of development approved by the Deputy and State 47
48 Commission, or unavoidably lost, shall be deemed to be produced equally on an 48
49 acreage basis from the several tracts of unitized land of the participating area 49
50 established for such production and, for the purpose of determining any benefits 50
51 accruing under this agreement, each such tract of unitized land shall have allo- 51
52 cated to it such percentage of said production as the number of acres of such tract 52
53 included in said participating area bears to the total acres of unitized land in 53
54 said participating area, except that allocation of production hereunder for pur- 54
55 poses other than for settlement of the royalty, overriding royalty, or payment out 55
56 of production obligations of the respective working interest owners, shall be on 56
57 the basis prescribed in the unit operating agreement whether in conformity with the 57
58 basis of allocation herein set forth or otherwise. It is hereby agreed that produc- 58
59 tion of unitized substances from a participating area shall be allocated as pro- 59
60 vided herein regardless of whether any wells are drilled on any particular part or 60
61 tract of said participating area. If any gas produced from one participating area 61
62 is used for repressuring or recycling puposes in another participating area, the 62
63 first gas withdrawn from such last-mentioned participating area for sale during the 63
64 life of this agreement shall be considered to be the gas so transferred until an 64
65 amount equal to that transferred shall be so produced for sale and such gas shall 65
66 be allocated to the participating area from which initially produced as such area 66
67 was last defined at the time of such final production. 67
68 68

69 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 69
70 Any party hereto owning or controlling the working interest in any unitized land 70
71 having thereon a regular well location may with the approval of the Deputy, at such 71
72 party's sole risk, costs, and expense, drill a well to test any formation for which 72
73 a participating area has not been established or to test any formation for which 73

1 a participating area has been established if such location is not within said 1
2 participating area, unless within 90 days of receipt of notice from said party of 2
3 his intention to drill the well the Unit Operator elects and commences to drill 3
4 such a well in like manner as other wells are drilled by the Unit Operator under 4
5 this agreement. 5
6

7 If any well drilled as aforesaid by a working interest owner results in pro- 7
8 duction such that the land upon which it is situated may properly be included in 8
9 a participating area, such participating area shall be established or enlarged as 9
10 provided in this agreement and the well shall thereafter be operated by the Unit 10
11 Operator in accordance with the terms of this agreement and the unit operating 11
12 agreement. 12
13

14 If any well drilled as aforesaid by a working interest owner obtains pro- 14
15 duction in quantities insufficient to justify the inclusion of the land upon which 15
16 such well is situated in a participating area, such well may be operated and 16
17 produced by the party drilling the same subject to the conservation requirements 17
18 of this agreement. The royalties in amount or value of production from any such 18
19 well shall be paid as specified in the underlying lease and agreements affected. 19
20

21 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 21
22 owner who is entitled to take in kind a share of the substances now unitized 22
23 hereunder shall hereafter be entitled to the right to take in kind its share of 23
24 the unitized substances, and Unit Operator, or the working interest owner in case 24
25 of the operation of a well by a working interest owner as herein provided for in 25
26 special cases, shall make deliveries of such royalty share taken in kind in con- 26
27 formity with the applicable contracts, laws, and regulations. Settlement for 27
28 royalty interest not taken in kind shall be made by working interest owners 28
29 responsible therefor under existing contracts, laws and regulations, or by the 29
30 Unit Operator, on or before the last day of each month for unitized substances 30
31 produced during the preceding calendar month; provided, however, that nothing 31
32 herein contained shall operate to relieve the lessees of any land from their 32
33 respective lease obligations for the payment of any royalties due under their 33
34 leases. 34
35

36 If gas obtained from lands not subject to this agreement is introduced into 36
37 any participating area hereunder, for use in repressuring, stimulation of produc- 37
38 tion, or increasing ultimate recovery, in conformity with a plan of operations 38
39 approved by the Deputy, a like amount of gas, after settlement as herein provided 39
40 for any gas transferred from any other participating area and with appropriate 40
41 deduction for loss from any cause, may be withdrawn from the formation into which 41
42 the gas is introduced, royalty free as to dry gas, but not as to any products 42
43 which may be extracted therefrom; provided that such withdrawal shall be at such 43
44 time as may be provided in the approved plan of operations or as may otherwise be 44
45 consented to by the Deputy as conforming to good petroleum engineering practice; 45
46 and provided further, that such right of withdrawal shall terminate on the 46
47 termination of this unit agreement. 47
48

49 Royalty due the United States shall be computed as provided in the operating 49
50 regulations and paid in value or delivered in kind as to all unitized substances 50
51 on the basis of the amounts thereof allocated to unitized Federal land as pro- 51
52 vided herein at the rates specified in the respective Federal leases, or at such 52
53 lower rate or rates as may be authorized by law or regulations; provided, that 53
54 for leases on which the royalty rate depends on the daily average production per 54
55 well, said average production shall be determined in accordance with the operating 55
56 regulations as though each participating area were a single consolidated lease. 56
57

58 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed 58
59 hereto shall be paid by working interest owners responsible therefor under exist- 59
60 ing contracts, laws, and regulations, provided that nothing herein contained shall 60
61 operate to relieve the lessees of any land from their respective lease obligations 61
62 for the payment of any rental or minimum royalty due under their leases. Rental or 62
63 minimum royalty for lands of the United States subject to this agreement shall be 63
64 paid at the rate specified in the respective leases from the United States unless 64
65 such rental or minimum royalty is waived, suspended, or reduced by law or by 65
66 approval of the Secretary or his duly authorized representative. 66

1 With respect to any lease on non-Federal land containing provisions which would 1
2 terminate such lease unless drilling operations are commenced upon the land covered 2
3 thereby within the time therein specified or rentals are paid for the privilege of 3
4 deferring such drilling operations, the rentals required thereby shall, notwith- 4
5 standing any other provision of this agreement, be deemed to accrue and become 5
6 payable during the term thereof as extended by this agreement and until the required 6
7 drilling operations are commenced upon the land covered thereby or until some por- 7
8 tion of such land is included within a participating area. 8
9

10 16. CONSERVATION. Operations hereunder and production of unitized substances 10
11 shall be conducted to provide for the most economical and efficient recovery of said 11
12 substances without waste, as defined by or pursuant to State or Federal law or 12
13 regulation. 13
14

15 17. DRAINAGE. The Unit Operator shall take such measures as the Deputy deems 15
16 appropriate and adequate to prevent drainage of unitized substances from unitized 16
17 land by wells on land not subject to this agreement. 17
18

19 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and 19
20 provisions of all leases, subleases, and other contracts relating to exploration, 20
21 drilling, development, or operation for oil or gas on lands committed to this agree- 21
22 ment are hereby expressly modified and amended to the extent necessary to make the 22
23 same conform to the provisions hereof, but otherwise to remain in full force and 23
24 effect; and the parties hereto hereby consent that the Secretary shall and by his 24
25 approval hereof, or by the approval hereof by his duly authorized representative, 25
26 does hereby establish, alter, change, or revoke the drilling, producing, rental, 26
27 minimum royalty, and royalty requirements of Federal leases committed hereto and the 27
28 regulations in respect thereto to conform said requirements to the provisions of 28
29 this agreement, and, without limiting the generality of the foregoing, all leases, 29
30 subleases, and contracts are particularly modified in accordance with the follow- 30
31 ing: 31
32

33 (a) The development and operation of lands subject to this agreement under the 33
34 terms hereof shall be deemed full performance of all obligations for development 34
35 and operation with respect to each and every separately owned tract subject to this 35
36 agreement, regardless of whether there is any development of any particular tract of 36
37 the unit area. 37
38

39 (b) Drilling and producing operations performed hereunder upon any tract of 39
40 unitized lands will be accepted and deemed to be performed upon and for the benefit 40
41 of each and every tract of unitized land, and no lease shall be deemed to expire by 41
42 reason of failure to drill or produce wells situated on the land therein embraced. 42
43

44 (c) Suspension of drilling or producing operations on all unitized lands pur- 44
45 suant to direction or consent of the Secretary or his duly authorized representa- 45
46 tive shall be deemed to constitute such suspension pursuant to such direction or 46
47 consent as to each and every tract of unitized land. A suspension of drilling or 47
48 producing operations limited to specified lands shall be applicable only to such 48
49 lands. 49
50

51 (d) Each lease, sublease or contract relating to the exploration, drilling, 51
52 development or operation for oil or gas of lands other than those of the United 52
53 States committed to this agreement, which, by its terms might expire prior to the 53
54 termination of this agreement, is hereby extended beyond any such terms so provided 54
55 therein so that it shall be continued in full force and effect for and during the 55
56 term of this agreement. 56
57

58 (e) Any Federal lease for a fixed term of twenty (20) years or any renewal 58
59 thereof or any part of such lease which is made subject to this agreement shall 59
60 continue in force beyond the term provided therein until the termination hereof. 60
61 Any other Federal lease committed hereto shall continue in force beyond the term 61
62 so provided therein or by law as to the land committed so long as such lease re- 62
63 mains subject hereto, provided that production is had in paying quantities under 63
64 this unit agreement prior to the expiration date of the term of such lease, or in 64
65 the event actual drilling operations are commenced on unitized land, in accordance 65
66 with the provisions of this agreement, prior to the end of the primary term of such 66

1 lease and are being diligently prosecuted at that time, such lease shall be extended 1
2 for two years and so long thereafter as oil or gas is produced in paying quantities 2
3 in accordance with the provisions of the Mineral Leasing Act Revision of 1960. 3
4

5 (f) Each sublease or contract relating to the operation and development of 5
6 unitized substances from lands of the United States committed to this agreement, 6
7 which by its terms would expire prior to the time at which the underlying lease, as 7
8 extended by the immediately preceding paragraph, will expire, is hereby extended 8
9 beyond any such term so provided therein so that it shall be continued in full force 9
10 and effect for and during the term of the underlying lease as such term is herein 10
11 extended. 11
12

13 (g) The segregation of any Federal lease committed to this agreement is 13
14 governed by the following provision in the fourth paragraph of Sec. 17(j) of the 14
15 Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784): 15
16 "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan 16
17 embracing lands that are in part within and in part outside of the area covered by 17
18 any such plan shall be segregated into separate leases as to the lands committed and 18
19 the lands not committed as of the effective date of unitization: Provided, however, 19
20 that any such lease as to the non-unitized portion shall continue in force and 20
21 effect for the term thereof but for not less than two years from the date of such 21
22 segregation and so long thereafter as oil or gas is produced in paying quantities." 22
23

24 (h) Any lease, other than a Federal lease, having only a portion of its lands 24
25 committed hereto shall be segregated as to the portion committed and the portion not 25
26 committed, and the provisions of such lease shall apply separately to such segre- 26
27 gated portions commencing as of the effective date hereof. In the event any such 27
28 lease provides for a lump-sum rental payment, such payment shall be pro-rated 28
29 between the portions so segregated in proportion to the acreage of the respective 29
30 tracts. 30
31

32 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be 32
33 covenants running with the land with respect to the interest of the parties hereto 33
34 and their successors in interest until this agreement terminates, and any grant, 34
35 transfer, or conveyance, of interest in land or leases subject hereto shall be and 35
36 hereby is conditioned upon the assumption of all privileges and obligations here- 36
37 under by the grantee, transferee, or other successor in interest. No assignment or 37
38 transfer of any working interest, royalty, or other interest subject hereto shall be 38
39 binding upon Unit Operator until the first day of the calendar month after Unit 39
40 Operator is furnished with the original, photostatic, or certified copy of the 40
41 instrument of transfer. 41
42

43 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 43
44 approval by the Secretary or his duly authorized representative and shall terminate 44
45 five (5) years from said effective date unless: 45
46

47 (a) such date of expiration is extended by the Manager, or 47
48

49 (b) it is reasonably determined prior to the expiration of the fixed term or 49
50 any extension thereof that the unitized land is incapable of production of unitized 50
51 substances in paying quantities in the formations tested hereunder and after notice 51
52 of intention to terminate the agreement on such ground is given by the Unit Operator 52
53 to all parties in interest at their last known addresses, the agreement is term- 53
54 inated with approval of the Deputy, or 54
55

56 (c) a valuable discovery of unitized substances has been made or accepted 56
57 on unitized land during said initial term or any extension thereof, in which 57
58 event the agreement shall remain in effect for such term and so long as unitized 58
59 substances can be produced in quantities sufficient to pay for the cost of pro- 59
60 ducing same from wells on unitized land within any participating area established 60
61 hereunder and, should production cease, so long thereafter as diligent operations 61
62 are in progress for the restoration of production or discovery of new production and 62
63 so long thereafter as unitized substances so discovered can be produced as afore- 63
64 said, or 64
65

66 (d) it is terminated as heretofore provided in this agreement. This agree- 66
67 ment may be terminated at any time by not less than 75 per centum, on an acreage 67
68 basis, of the working interest owners signatory hereto, with the approval of the 68
69 Deputy; notice of any such approval to be given by the Unit Operator to all parties 69
70 hereto. 70

1 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Manager is hereby 1
2 vested with authority to alter or modify from time to time in his discretion the 2
3 quantity and rate of production under this agreement when such quantity and rate is 3
4 not fixed pursuant to Federal or State law or does not conform to any state-wide 4
5 voluntary conservation or allocation program which is established, recognized, and 5
6 generally adhered to by the majority of operators in such State, such authority 6
7 being hereby limited to alteration or modification in the public interest, the 7
8 purpose hereof and the public interest to be served thereby to be stated in the 8
9 order of alteration or modification. Without regard to the foregoing, the Manager 9
10 is also hereby vested with authority to alter or modify from time to time in his 10
11 discretion the rate of prospecting and development and the quantity and rate of 11
12 production under this agreement when such alteration or modification is in the 12
13 interest of attaining the conservation objectives stated in this agreement and is 13
14 not in violation of any applicable Federal or State law. 14
15

16 Powers in this section vested in the Manager shall only be exercised after 16
17 notice to Unit Operator and opportunity for hearing to be held not less than 15 17
18 days from notice. 18
19

20 22. APPEARANCES. Unit Operator shall, after notice to other parties 20
21 affected, have the right to appear for and on behalf of any and all interests 21
22 affected hereby before the Department of the Interior and to appeal from orders 22
23 issued under the regulations of said Department or to apply for relief from any 23
24 of said regulations or in any proceedings relative to operations before the 24
25 Department of the Interior or any other legally constituted authority; provided, 25
26 however, that any other interested party shall also have the right at his own 26
27 expense to be heard in any such proceeding. 27
28

29 23. NOTICES. All notices, demands or statements required hereunder to be 29
30 given or rendered to the parties hereto shall be deemed fully given if given in 30
31 writing and personally delivered to the party or sent by postpaid registered or 31
32 certified mail, addressed to such party or parties at their respective addresses 32
33 set forth in connection with the signatures hereto or to the ratification or 33
34 consent hereof or to such other address as any such party may have furnished in 34
35 writing to party sending the notice, demand or statement. 35
36

37 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall 37
38 be construed as a waiver by any party hereto of the right to assert any legal or 38
39 constitutional right or defense as to the validity or invalidity of any law of 39
40 the State wherein said unitized lands are located, or of the United States, or 40
41 regulations issued thereunder in any way affecting such party, or as a waiver by 41
42 any such party of any right beyond his or its authority to waive. 42
43

44 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 44
45 the Unit Operator to commence or continue drilling or to operate on or produce 45
46 unitized substances from any of the lands covered by this agreement shall be 46
47 suspended while the Unit Operator, despite the exercise of due care and diligence, 47
48 is prevented from complying with such obligations, in whole or in part, by strikes, 48
49 acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, 49
50 uncontrollable delays in transportation, inability to obtain necessary materials 50
51 in open market, or other matters beyond the reasonable control of the Unit Operator 51
52 whether similar to matters herein enumerated or not. No unit obligation which is 52
53 suspended under this section shall become due less than thirty (30) days after it 53
54 has been determined that the suspension is no longer applicable. Determination 54
55 of creditable "Unavoidable Delay" time shall be made by the unit operator subject 55
56 to approval of the Deputy. 56
57

58 26. NONDISCRIMINATION. In connection with the performance of work under 58
59 this agreement, the Operator agrees to comply with all the provisions of Section 59
60 202 (1) to (7) inclusive of Executive Order 11246 (30 F. R. 12319), as amended, 60
61 which are hereby incorporated by reference in this agreement. 61
62

63 27. LOSS OF TITLE. In the event title to any tract of unitized land shall 63
64 fail and the true owner cannot be induced to join in this unit agreement, such 64
65 tract shall be automatically regarded as not committed hereto and there shall be 65
66 such readjustment of future costs and benefits as may be required on account of 66
67 the loss of such title. In the event of a dispute as to title as to any royalty, 67

1 working interest, or other interests subject thereto, payment or delivery on account 1
2 thereof may be withheld without liability for interest until the dispute is finally 2
3 settled; provided, that, as to Federal lands or leases, no payments of funds due the 3
4 United States should be withheld, but such funds shall be deposited as directed by 4
5 the Deputy to be held as unearned money pending final settlement of the title dis- 5
6 pute, and then applied as earned or returned in accordance with such final settle- 6
7 ment. 7
8

9 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 9
10 interest in a tract within the unit area fails or refuses to subscribe or consent to 10
11 this agreement, the owner of the working interest in that tract may withdraw said 11
12 tract from this agreement by written notice delivered to the Deputy, the State 12
13 Commission and the Unit Operator prior to the approval of this agreement by the 13
14 Deputy. Any oil or gas interests in lands within the unit area not committed hereto 14
15 prior to submission of this agreement for final approval may thereafter be committed 15
16 hereto by the owner or owners thereof subscribing or consenting to this agreement, 16
17 and, if the interest is a working interest, by the owner of such interest also sub- 17
18 scribing to the unit operating agreement. After operations are commenced hereunder, 18
19 the right of subsequent joinder, as provided in this section, by a working interest 19
20 owner is subject to such requirements or approvals, if any, pertaining to such 20
21 joinder, as may be provided for in the unit operating agreement. After final 21
22 approval hereof, joinder by a non-working interest owner must be consented to in 22
23 writing by the working interest owner committed hereto and responsible for the 23
24 payment of any benefits that may accrue hereunder in behalf of such non-working 24
25 interest. A non-working interest may not be committed to this unit agreement unless 25
26 the corresponding working interest is committed hereto. Joinder to the unit agree- 26
27 ment by a working interest owner, at any time, must be accompanied by appropriate 27
28 joinder to the unit operating agreement, if more than one committed working interest 28
29 owner is involved, in order for the interest to be regarded as committed to this 29
30 unit agreement. Except as may otherwise herein be provided, subsequent joinders to 30
31 this agreement shall be effective as of the first day of the month following the 31
32 filing with the Deputy and the State Commission of duly executed counterparts of all 32
33 or any papers necessary to establish effective commitment of any tract to this 33
34 agreement unless objection to such joinder is duly made within 60 days by the Deputy 34
35 or State Commission. 35
36

37 29. COUNTERPARTS. This agreement may be executed in any number of counterparts 37
38 no one of which needs to be executed by all parties or may be ratified or consented 38
39 to by separate instrument in writing specifically referring hereto and shall be 39
40 binding upon all those parties who have executed such a counterpart, ratification, 40
41 or consent hereto with the same force and effect as if all such parties had signed 41
42 the same document and regardless of whether or not it is executed by all other 42
43 parties owning or claiming an interest in the lands within the above-described unit 43
44 area. 44
45

46 30. SPECIAL SURFACE STIPULATIONS. Nothing in this agreement shall modify 46
47 the special Federal lease stipulations applicable to lands under the jurisdiction 47
48 of the Bureau of Land Management. 48
49

50 31. FOREST LAND STIPULATION. Notwithstanding any other terms and conditions 50
51 contained in this agreement, all of the stipulations and conditions of the indi- 51
52 vidual leases and all amendments thereto between the United States and its lessees 52
53 or their successors or assigns, embracing lands within the unit area, included for 53
54 the protection of lands or functions under the jurisdiction of the Secretary of 54
55 Agriculture, shall remain in full force and effect the same as though this agree- 55
56 ment had not been entered into, and no modification thereof is authorized except 56
57 with the prior consent, in writing of the Regional Forester, United States Forest 57
58 Service, Federal Building, 517 Gold Avenue S.W., Albuquerque, New Mexico 87102. 58

1 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be exe-
2 cuted and have set opposite their respective names the date of execution.
3

4
5 UNIT OPERATOR AND WORKING INTEREST OWNER
6

7 ATTEST:

KENAI OIL AND GAS INC.

10
11 Barbara J. Duran
12 Assistant Secretary

By Joseph R. Mazzola
Vice-President

14 Address: 717-17th Street
15 Suite 2000
16 Denver, CO 80202

17 Date of Execution:

18 December 21, 1981
19

21 STATE OF COLORADO)

22 CITY AND) ss.

23 COUNTY OF DENVER)
24

25 On this 21st day of December, 1981, before me

26
27 appeared Joseph R. Mazzola, to me personally known,

28
29 who, being by me duly sworn, did say that he is the Vice President of Kenai Oil and

30
31 Gas Inc. and the seal affixed to said instrument was signed and sealed in behalf of

32
33 said corporation by authority of its board of directors, and said

34
35 Joseph R. Mazzola acknowledged said instrument to be the

36
37 free act and deed of said corporation.
38

39 My Commission Expires:

40
41 My Commission Expires June 29, 1985
42

Amelia R. Hall
Notary Public
Residing at Westminster, Colorado

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this 21st day of December, 1981.

[Signature]
Address: 650 So Cherry - Suite 1225
P.O. Box 22557 - #1074
Denver, CO 80222

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

STATE OF Colorado)
COUNTY OF Arapahoe) ss.

On this 21st day of December, 1981, before me personally appeared [Signature], to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

[Signature]
Notary Public

My Commission Expires:

08-08-84

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this 22nd day of December, 1981.

KENAI PARTNERS DRILLING PROGRAM - 1979,
a Limited Partnership, by
KENAI OIL AND GAS INC., General Partner

Patrick J. DeNiro, Ass't. Sec'y.

By: Joseph R. Mazzola, Sr. Vice President

Address: 717 - 17th Street

Suite 2000

Denver, CO 80202

STATE OF COLORADO)
CITY AND _____) ss.
COUNTY OF DENVER)

On this 22nd day of December, 1981, before me appeared Joseph R. Mazzola, to me personally known, who, being by me duly sworn, did say that he is the Sr. Vice President of KENAI OIL AND GAS INC., and that the seal affixed to said 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 Joseph R. Mazzola acknowledged said instrument to be the free act and deed of said corporation.

Amelia R. Hall
Notary Public
Address: 717 - 17th Street, Suite 2000
Denver, CO 80202

My Commission Expires:

My Commission Expires June 29, 1985

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this 17th day of December, 1981.

A. G. Hill
A. G. HILL
Address: 2500 First Nat'l Bank Bldg.
Dallas, Texas 75202

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

STATE OF TEXAS)
COUNTY OF DALLAS) ss.

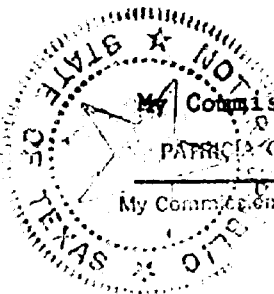
On this 17th day of December, 1981, before me personally appeared A. G. HILL, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Patricia Carr
Notary Public for the State of Texas

My Commission Expires:

PATRICIA CARR, Notary Public

My Commission expires 7-31-84




RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

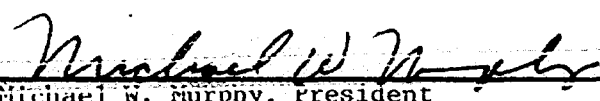
This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

Witness my hand and seal this 17th day of December, 1981.


J. L. Leland,
Assistant Secretary


ROBERTS AND MURPHY, INC.


Michael W. Murphy, President
Address: 3050 First of Denver Plaza
Denver, CO 80202

STATE OF Colorado)
COUNTY OF Denver) ss.

On this 17th day of December, 1981, before me appeared Michael W. Murphy, to me personally known, who, being by me duly sworn, did say that he is the President of Roberts and Murphy, Inc., and that the seal affixed to said 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 Michael W. Murphy acknowledged said instrument to be the free act and deed of said corporation.


My Commission Expires:
January 17, 1983


Notary Public
Marilyn R. Boggess

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Notary Public

My Commission Expires:

AND
UNIT OPERATING AGREEMENT

My Commission Expires:

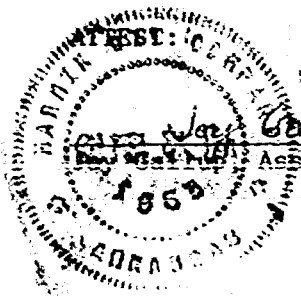
RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this 17th day of December, 1981.



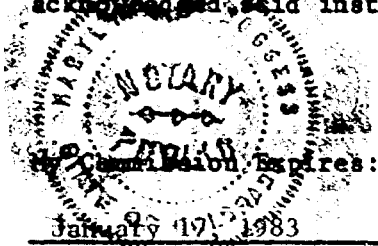
John F. McFarland
Assistant Secretary

MARMIK OIL COMPANY

John F. McFarland
John F. McFarland, Vice President
Address: 3050 First of Denver Plaza
Denver, CO 80202

STATE OF Colorado)
COUNTY OF Denver) ss.

On this 17th day of December, 1981, before me appeared John F. McFarland, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Marmik Oil Company, and that the seal affixed to said 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 John F. McFarland acknowledged said instrument to be the free act and deed of said corporation.



Marilyn R. Boggess
Notary Public
Marilyn R. Boggess

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the _____, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this 21st day of December, 1981.

KOGO PARTNERS DRILLING PROGRAM - 1979,
a Limited Partnership, by
KENAI OIL AND GAS INC., General Partner

By: Joseph R. Mazzola
Joseph R. Mazzola, Sr. Vice President
Address: 717 - 17th Street
Suite 2000
Denver, CO 80202

STATE OF COLORADO)
CITY AND _____) ss.
COUNTY OF DENVER)

On this 21st day of December, 1981, before me appeared Joseph R. Mazzola, to me personally known, who, being by me duly sworn, did say that he is the Sr. Vice President of KENAI OIL AND GAS INC., and that the seal affixed to said 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 Joseph R. Mazzola acknowledged said instrument to be the free act and deed of said corporation.

Amelia R. Hall
Notary Public
Residing at Westminster, Colorado

My Commission Expires:
My Commission Expires June 29, 1985

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito, Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement and also said Unit Operating Agreement as fully as though the undersigned had executed the original instrument.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder shall be binding upon the undersigned, its heirs, devisees, assigns or successors in interest.

EXECUTED this 22nd day of December, 1981.

AMOCO PRODUCTION COMPANY

By

Claud Neely
Its Attorney-in-Fact

Address: Amoco Building

Denver, Colorado 80202

NEW MEXICO

STATE OF COLORADO)
CITY AND): SS.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 22nd day of December, 19 81, by CLAUD NEELY as Attorney-in-Fact on behalf of AMOCO PRODUCTION COMPANY.

Claud E. Lawler
Notary Public

Amoco Building
Denver, Colorado 80202

My Commission Expires:

IBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS
OJITO UNIT AREA
RIO ARriba COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE		LESSEE OF RECORD AND PERCENTAGE		OVERRIDING ROYALTY AND PERCENTAGE		WORKING INTEREST AND PERCENTAGE	

FEDERAL LANDS:

1.	T25N-R2W, N.M.P.M.	320.00	SF-079332	U.S.A.-A.1		Gulf Oil Corporation	100%	Milton Oil Corporation	2%	Gulf Oil Corporation	100%
	Sec. 28: SW $\frac{1}{4}$										
	Sec. 33: NE $\frac{1}{4}$		HBP								

2.	T24N-R1W, N.M.P.M.	160.00	SF-079454-A	U.S.A.-A.1		A. G. Hill	100%	Eugene C. Connor	.71739%	A. G. Hill	100%
	Sec. 18: S $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$		HBP					Milton Oil Corporation	.42752%		

- Ethel N. Land .0130432%
- Wm. B. Prugh .017391%
- John C. Martin, Jr. .0086955%
- Joe B. Houston .0130432%
- E. L. Combest .0130432%
- John R. Cartmell .1999965%
- Gerald B. Klein .0130432%

2. Cont'd

H. E. and Goldie Milliken
.0434775%
Annie Mary White
.5188365%
James H. Gardner .14493%
Gardner Petroleum Company
.34785%
Willie S. Gardner .26087%
Charles R. Gilmore
Charles W. and Constance
Lovejoy .17391%

3. T24N-R1W, N.M.P.M. 470.52 NM-23026 U.S.A.-A11

Sec. 18: Lots 1,2,
3,4, N~~3~~NE~~4~~,
SE~~4~~, E~~3~~NW~~4~~

Kenai Partners Drilling 50% Kenai Oil and Gas Inc. 2%
Program 1979
Jerome P. McHugh 50%
Kenai Partners Drilling 50%
Program 1979
Jerome P. McHugh 50%

4. T24N-R2W, N.M.P.M. 324.88 NM-23032 U.S.A.-A11

Sec. 2: Lots 1,2,
SE~~4~~NE~~4~~, SE~~4~~ (E~~4~~)
E~~4~~NE~~4~~
12-31-81

Kenai Partners Drilling 50% Kenai Oil and Gas Inc. 2%
Program 1979
Jerome P. McHugh 50%
Kenai Partners Drilling 50%
Program 1979
Jerome P. McHugh 50%

5.	T24N-R2W, N.M.P.M. *Sec. 3: Lots 1,2, 3, SW $\frac{1}{4}$ NE $\frac{1}{4}$	167.50	IM-23033	U.S.A.-All	Kenai Oil and Gas Inc. 50% (Assignment pending to Kenai Partners Drilling Program 1979) Jerome P. McHugh 50%	Kenai Oil and Gas Inc. 2%	Kenai Oil and Gas Inc. 50% (Assignment pending to Kenai Partners Drilling Program 1979) Jerome P. McHugh 50%
6.	T24N-R2W, N.M.P.M. #Sec. 12: E $\frac{1}{2}$, E $\frac{1}{4}$ W $\frac{1}{2}$	480.00	IM-23034	U.S.A.-All	Kenai Oil and Gas Inc. 50% (Assignment pending to Kenai Partners Drilling Program 1979) Roberts and Murphy, Inc. 25% Charles H. Murphy, Jr. 12.5% Marmik Oil Company 12.5%	Joseph R. Mazzola 1% Kenai Oil and Gas Inc. 1%	Kenai Oil and Gas Inc. 50% (Assignment pending to Kenai Partners Drilling Program 1979) Roberts and Murphy, Inc. 25% Charles H. Murphy, Jr. 12.5% Marmik Oil Company 12.5%
7.	T25N-R2W, N.M.P.M. Sec. 27: SW $\frac{1}{4}$ Sec. 33: SE $\frac{1}{4}$ Sec. 34: NE $\frac{1}{4}$	640.00	IM-23038	U.S.A.-All	Jerome P. McHugh 50% Kogo Partners Drilling Program 1979 50%	Joseph R. Mazzola 1% Kenai Oil and Gas Inc. 1%	Jerome P. McHugh 50% Kogo Partners Drilling Program 1979 50%

8.	T25N-R2W, N.M.P.M. Sec. 28: S34NW1/4, SE1/4 Sec. 29: SE1/4NW1/4, N1/2SW1/4, SE1/4SW1/4, SE1/4 Sec. 30: Lot 3	606.85	NM-2-039	U.S.A.-A11	Jerome P. McHugh Kenai Partners Drilling Program 1979	50% 50%	Kenai Oil and Gas Inc. 1%	Jerome P. McHugh Kenai Partners Drilling Program 1979	50% 50%
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9.	T24N-R2W, N.M.P.M. Sec. 10: NE1/4, E1/2SE1/4 Sec. 11: W1/2, W1/2E1/4	720.00	NM-4-0635	U.S.A.-A11	Amoco Production Company 100%	None	Amoco Production Company 100%
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9	FEDERAL TRACTS	TOTALING	3,889.75	ACRES	OR	63.61%	OF	UNIT	AREA
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PATENTED LANDS:

10.	T25N-R2W, N.M.P.M. Sec. 29: N ¹ / ₂ NW ¹ / ₄ , SW ¹ / ₂ NW ¹ / ₄ Sec. 30: Lots 1, 2	213.59	3-15-87	Paul J. and Mary Jane O'Rourke, h&w	100%	Kenai Oil and Gas Inc.	50%	None	Kenai Oil and Gas Inc.	50%	Jerome P. McHugh	50%
11.	T25N-R2W, N.M.P.M. Sec. 29: SW ¹ / ₂ SW ¹ / ₄ Sec. 30: Lot 4	86.88	4-16-82	Floyd E. and Emma B. Edwards, h&w	100%	Kenai Oil and Gas Inc.	50%	Don Evans	Kenai Oil and Gas Inc.	50%	Jerome P. McHugh	50%
12.	T25N-R2W, N.M.P.M. Sec. 28: N ¹ / ₂ SW ¹ / ₄ Sec. 29: NE ¹ / ₄	240.00	4-16-82	Floyd E. and Emma B. Edwards, h&w	100%	Kenai Oil and Gas Inc.	50%	Don Evans	Kenai Oil and Gas Inc.	50%	Jerome P. McHugh	50%
13.	T24N-R2W, N.M.P.M. Sec. 11: E ¹ / ₂ SE ¹ / ₄ #Sec. 12: W ¹ / ₂ W ¹ / ₄	320.00	4-20-82	J. B. and Lola Hardy, h&w	50%	Kenai Oil and Gas Inc.	50%	None	Kenai Oil and Gas Inc.	25%	Jerome P. McHugh	25%
			4-20-82	T. W. and Vivian M. Stevenson, h&w	50%	Kenai Oil and Gas Inc.	50%	None	Kenai Oil and Gas Inc.	25%	Jerome P. McHugh	25%

14. T24N-R2W, N.M.P.M.
Sec. 10: WYSE

30.00 7-22-83

U. S. Royalties Corporation
.83334%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.
Jerome P. McHugh	50%			Jerome P. McHugh
				.41667%

4-2-83
Melvin D. and Anne C.
Zueckhaus, h&w
1.25%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.625%
Jerome P. McHugh	50%			Jerome P. McHugh	

4-1-83
J. W. and Myra L. Jones,
h&w .83334%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.41667%
Jerome P. McHugh	50%			Jerome P. McHugh	

Jania Eugenia Robertson
4-1-83
.83333%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.416665%
Jerome P. McHugh	50%			Jerome P. McHugh	

4-1-83
Edger A. and Evelyn Boring;
h&w .833333%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.416665%
Jerome P. McHugh	50%			Jerome P. McHugh	

4-1-83 Susan Elizabeth Schulze, a widow .833333%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.41665%
Jerome P. McHugh	50%			Jerome P. McHugh	

4-1-83
Harold and Linda Muriel
Adkins, h&w
.833333%

Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.41665%
Jerome P. McHugh	50%			Jerome P. McHugh	

14. Cont'd

4-1-83

Erema S. Boring, a widow 6.25%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

Joseph R. Mazzola 1%

Kenai Oil and Gas Inc. 3.125%
Jerome P. McHugh 3.125%

3-27-83

A. G. and Elveda Johnson, h&w 37.5%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

Joseph R. Mazzola 1%

Kenai Oil and Gas Inc. 18.75%
Jerome P. McHugh 18.75%

3-27-83

A. G. and Elveda Johnson, h&w; Craig Sparks; Marley H. and Betty L. Laferity, h&w; Lindrith and Maureen Cordell, Hairs of Fanny J. Hill 50%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

None

Kenai Oil and Gas Inc. 25%
Jerome P. McHugh 25%

15.

24N-12M, N.M.P.M.

324.72

7-23-83

U. S. Royalties Corporation 1.875%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

Joseph R. Mazzola 1%

Kenai Oil and Gas Inc. .9375%
Jerome P. McHugh .9375%

Sec. 2:

Lots 3,4,
S&W, SW

4-2-83

Milton B. and Marvella R. Davis, h&w 25%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

Joseph R. Mazzola 1%

Kenai Oil and Gas Inc. 12.5%
Jerome P. McHugh 12.5%

4-2-83

William H. and La Verne Schinke, h&w 12.5%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

Joseph R. Mazzola 1%

Kenai Oil and Gas Inc. 6.25%
Jerome P. McHugh 6.25%

4-2-83

Ivan K. and Virginia Maxine Davis, h&w 12.5%

Kenai Oil and Gas Inc. 50%
Jerome P. McHugh 50%

Joseph R. Mazzola 1%

Kenai Oil and Gas Inc. 6.25%
Jerome P. McHugh 6.25%

4-2-83	Dorothy Ehlen, a widow	12.5%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	6.25%
			Jerome P. McHugh	50%			Jerome P. McHugh	6.25%
4-2-83	Melvin D. and Anne C. Rueckhaus, h&w	13.75%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	6.875%
			Jerome P. McHugh	50%			Jerome P. McHugh	6.875%
4-1-83	Harold and Linda Mariel Adkins, h&w	1.875%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.9375%
			Jerome P. McHugh	50%			Jerome P. McHugh	.9375%
4-1-83	Susan Elizabeth Schulze	1.875%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.9375%
			Jerome P. McHugh	50%			Jerome P. McHugh	.9375%
4-1-83	Elgar A. and Evelyn Boring, h&w	1.875%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.9375%
			Jerome P. McHugh	50%			Jerome P. McHugh	.9375%
4-1-83	Janie Eugenia Robertson	1.875%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.9375%
			Jerome P. McHugh	50%			Jerome P. McHugh	.9375%
4-1-83	J. W. and Myra L. Jones, h&w	1.875%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.9375%
			Jerome P. McHugh	50%			Jerome P. McHugh	.9375%

5. Cont'd

4-1-83

Erema S. Boring, a widow	12.5%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	6.25%
		Jerome P. McHugh	50%			Jerome P. McHugh	6.25%

16. T25N-R2W, N.M.P.M.
Sec. 34: S₂

320.00

5-19-83

Larry D. and Patricia L. Miller, h&w	.782%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.391%
		Jerome P. McHugh	50%			Jerome P. McHugh	.391%

5-19-83

John N. and Barbara A. Deplazes, h&w	6.25%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	3.125%
		Jerome P. McHugh	50%			Jerome P. McHugh	3.125%

5-12-83

Bert T. and Sylvia V. Price, h&w	18.75%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	9.375%
		Jerome P. McHugh	50%			Jerome P. McHugh	9.375%

4-28-83

Herbert L. Koon	1.564%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.782%
		Jerome P. McHugh	50%			Jerome P. McHugh	.782%

4-28-83

Ernest B. and Inas E. Williams, h&w	.782%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	.391%
		Jerome P. McHugh	50%			Jerome P. McHugh	.391%

10. Cont'd

4-28-83	Dorothy D. Blair	25.782%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	12.891%
			Jerome P. McHugh	50%			Jerome P. McHugh	12.891%
4-1-83	Erema S. Boring, a widow	31.25%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	15.625%
			Jerome P. McHugh	50%			Jerome P. McHugh	15.625%
4-2-83	Melvin D. and Anne C. Rueckhaus, h&w	6.25%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	3.125%
			Jerome P. McHugh	50%			Jerome P. McHugh	3.125%
5-30-83	Inez I. Koon, a widow	8.59%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	4.295%
			Jerome P. McHugh	50%			Jerome P. McHugh	4.295%
4-1-83	Erema S. Boring, a widow	25%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	12.5%
			Jerome P. McHugh	50%			Jerome P. McHugh	12.5%
4-2-83	Melvin D. and Anne C. Rueckhaus, h&w	5%	Kenai Oil and Gas Inc.	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc.	2.5%
			Jerome P. McHugh	50%			Jerome P. McHugh	2.5%

7. 125N-R27, N.M.P.M. 160.00
Sec. 33: SW~~4~~

5-2-83	Albuquerque National Bank, Trustee under Will of Susan Pauline Wood, deceased	50%	Kenai Oil and Gas Inc. Jerome P. McHugh	50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	25% 25%
4-1-83	Jania Eugenia Robertson	3.3334%	Kenai Oil and Gas Inc. Jerome P. McHugh	50% 50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	1.6667% 1.6667%
4-1-83	Edgar A. and Evelyn Boring, h&w	3.3334%	Kenai Oil and Gas Inc. Jerome P. McHugh	50% 50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	1.6667% 1.6667%
4-1-83	Susan Elizabeth Schulze	3.3333%	Kenai Oil and Gas Inc. Jerome P. McHugh	50% 50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	1.66665% 1.66665%
4-1-83	Harold and Linda Muriel Adkins	3.3333%	Kenai Oil and Gas Inc. Jerome P. McHugh	50% 50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	1.66665% 1.66665%
4-1-83	J. W. and Myra L. Jones	3.3333%	Kenai Oil and Gas Inc. Jerome P. McHugh	50% 50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	1.66665% 1.66665%
7-22-83	U. S. Royalties Corporation	3.3333%	Kenai Oil and Gas Inc. Jerome P. McHugh	50% 50%	Joseph R. Mazzola	1%	Kenai Oil and Gas Inc. Jerome P. McHugh	1.66665% 1.66665%

18. T24N-R3W, N.M.P.M. 320.00
 Sec. 3: SE~~1/4~~NE~~1/4~~, SE~~1/4~~,
 E~~1/4~~SW~~1/4~~

HBP	Patricia L. and Larry D. Miller, wth	.78125%	Kenai Oil and Gas Inc.	50%	Don Evans Joseph R. Mazzola	2% 1%	Kenai Oil and Gas Inc.	.390625%
			Jerome P. McHugh	50%			Jerome P. McHugh	.390625%
HBP	Inez I. Koon, a widow	8.59375%	Kenai Oil and Gas Inc.	50%	Don Evans Joseph R. Mazzola	2% 1%	Kenai Oil and Gas Inc.	4.296875%
			Jerome P. McHugh	50%			Jerome P. McHugh	4.296875%
HBP	Inas E. and Ernest B. Williams, wth	.78125%	Kenai Oil and Gas Inc.	50%	Don Evans Joseph R. Mazzola	2% 1%	Kenai Oil and Gas Inc.	.390625%
			Jerome P. McHugh	50%			Jerome P. McHugh	.390625%
HBP	Herbert L. Koon	1.5625%	Kenai Oil and Gas Inc.	50%	Don Evans Joseph R. Mazzola	2% 1%	Kenai Oil and Gas Inc.	.78125%
			Jerome P. McHugh	50%			Jerome P. McHugh	.78125%
HBP	Dorothy D. Blair	.78125%	Kenai Oil and Gas Inc.	50%	Don Evans Joseph R. Mazzola	2% 1%	Kenai Oil and Gas Inc.	.390625%
			Jerome P. McHugh	50%			Jerome P. McHugh	.390625%
HBP	Milton B. and Marvella R. Davis, hth	37.5%	Kenai Oil and Gas Inc.	50%	Don Evans Joseph R. Mazzola	2% 1%	Kenai Oil and Gas Inc.	18.75%
			Jerome P. McHugh	50%			Jerome P. McHugh	18.75%

18. Cont'd HBP Cecil F. Roberts, a single man 50% Kenai Oil and Gas Inc. 2% Don Evans 1% Kenai Oil and Gas Inc. 25% Jerome P. McHugh 50% Joseph R. Mazzola 1% Jerome P. McHugh 25%

19. T25N-R2W, N.M.P.M. 160.00 5-2-83 Albuquerque National Bank, Trustee under the Will of Susan Pauline Wood 100% Kenai Oil and Gas Inc. 50% Joseph R. Mazzola 1% Kenai Oil and Gas Inc. 50% Jerome P. McHugh 50%

11 PATENTED TRACTS TOTALING 2,225.19 ACRES OR 36.39% OF UNIT AREA

19 TRACTS TOTALING 6,114.94 ACRES IN UNIT AREA

*Subject to Communitization Agreement SRR-1541, Lots 1,2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, Township 24 North, Range 2 West
 #Subject to Communitization Agreement SCR-67, NW1/4 Section 12, Township 24 North, Range 2 West

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 22 day of Dec, 1981.

Emma Edwards

Floyd Edwards

TRACT(S) _____

Address: _____

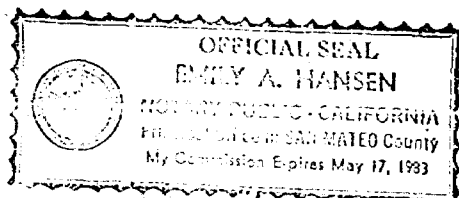
STATE OF Calif.)
COUNTY OF San Mateo) ss.

On this 22nd day of Dec, 1981, before me personally appeared Emma & Floyd Edwards, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Emily A. Hansen
Notary Public

My Commission Expires:

STATE OF _____)
COUNTY OF _____) ss.



On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilto Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 17th day of December, 1981.

TRACT(S) _____

Address: Box 33

Regista 77 87046

STATE OF Arizona)

ss.

COUNTY OF Pima)

On this 17th day of December, 1981, before me personally appeared Don Evans, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Mary Lou Peña
Notary Public

My Commission Expires Jan. 2, 1984

My Commission Expires:

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of DEC 18, 19 81, Rio Arriba, State of New Mexico, dated 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15th day of December, 19 81.

TRACT(S) _____

Joseph R. Mazzola
Address: 240 Hemlock

Broomfield, Colorado 80020

STATE OF COLORADO)
CITY AND _____) ss.
COUNTY OF DENVER)

On this 15th day of December, 19 81, before me personally appeared Joseph R. Mazzola, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.



Amelia R. Hall
Notary Public
Residing at: Westminster, Colorado

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Dec 18, Rio Arriba, State of New Mexico, dated 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15th day of December, 19 81.

TRACT(S) _____

Joseph R. Mazzola
Address: 240 Hemlock

Broomfield, Colorado 80020

STATE OF COLORADO)
CITY AND _____) ss.
COUNTY OF DENVER)

On this 15th day of December, 19 81, before me personally appeared Joseph R. Mazzola, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.



Amelia R. Hall
Notary Public
Residing at: Westminster, Colorado

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilito Unit Area, County of Rio Arriba, State of New Mexico, dated Dec 15, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15th day of December, 1981.

Annie Mary White

TRACT(S) T24N-R1W, N.M. P.M.

Sec. 7: Lots 1,2

Sec. 18: S/2 NE/4, E/2 SW/4

Address: 1839 East 16th Pl, Tulsa, Okla. 74104

Soc. Sec. No. 442-05-9731

STATE OF Oklahoma)

COUNTY OF Tulsa)

ss.

On this 15th day of December, 1981, before me personally appeared Annie Mary White, to me known to be the person described in said instrument, who executed the foregoing instrument, and acknowledged that he executed said instrument as his free act and deed.

Leeta Jones
Notary Public

My Commission Expires:

STATE OF _____)

COUNTY OF _____)

ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15th day of DECEMBER, 19 81.

TRACT(S) 13

J. B. Hardy
Address: Lola Hardy
Indio NM

STATE OF NEW MEXICO)
COUNTY OF SANDOVAL) ss.

On this 15th day of DECEMBER, 19 81, before me personally appeared J. B. HARDY & LOLA HARDY, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Lottie M. Davis
Notary Public

My Commission Expires:

August 10, 1984

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated 18th DEC., 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 18th day of DECEMBER, 19 81.

T W Stevenson
Vivian M Stevenson

TRACT(S) 13

Address: Lindrith, NM

STATE OF NEW MEXICO,

COUNTY OF SANDOVAL ss.

On this 18th day of DECEMBER 19 81, before me personally appeared T W STEVENSON + VIVIAN M. STEVENSON, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Lottie M. Davis
Notary Public

My Commission Expires:

AUGUST 10, 1984

STATE OF _____)

COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 22 day of Dec, 19 81.

Ludith Cordell
Maureen Cordell

TRACT(S) 15 14

Address: 1941 W Rd 23

Evergreen CO 80439

STATE OF Colorado)
COUNTY OF Jefferson) ss.

On this 22nd day of Dec, 19 81, before me personally appeared Ludith & Maureen Cordell, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Betty B. Green
Notary Public

12468 W. Mansfield Dr.
Lakewood, Co. 80128

My Commission Expires:

10/25/85

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Olito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this _____ day of _____, 1981.

Janía E. Robertson Attorney-in-Fact for
Erema S. Boring, a widow

*Erema Susan Boring by
Janía E. Robertson*

TRACT(S) 14, 15, 16 & 17
15-18

Address: P.O. Box 497
Peralta, NM 87042

STATE OF NEW MEXICO)

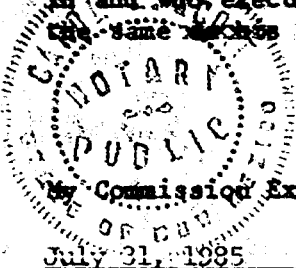
COUNTY OF PERNALILLO)

ss.

*Attorney-in-Fact for Erema S. Boring, a widow

On this 11th day of December, 1981, before me personally appeared, Janía E. Robertson *, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed of Erema Susan Boring.

Carol E. Scott
Notary Public



My Commission Expires:

July 31, 1985

STATE OF _____)

COUNTY OF _____)

ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oil Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

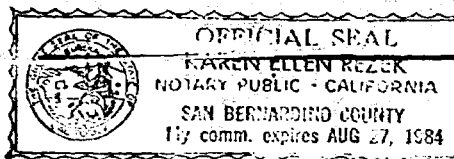
This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16th day of December, 1981.

TRACT(S) 14

Betty L. Lafferty / Marley H. Lafferty
Address: P. O. Box 642, Wrightwood, Ca. 92397

STATE OF California)
COUNTY OF San Bernardino) ss.



P. O. Box 834, Wrightwood, CA 92397

On this 16th day of December, 1981, before me personally appeared Betty L. & Marley H. Lafferty, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Karen Ellen Rezek
Notary Public Karen Ellen Rezek

My Commission Expires:

August 27, 1984

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilito Unit Area, County of DEC 18, 19 81, Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 11th day of December, 19 81.

TRACT(S) 14 & 15
15th thru 18

Jania Eugenia Robertson
John C. Robertson
Address: P.O. Box 497
Peralta NM 87042

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

On this 11th day of December, 19 81, before me personally appeared Jania Eugenia & John Robertson to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Carol E. Scott
Notary Public

My Commission Expires:

July 31, 1985

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 11 day of Dec, 19 81.

TRACT(S) 14, 15, 16, 17, 18

Melvin D. & Anne C. Rueckhaus
Address: 317 Seventh St. NW

Albuquerque, N.M. 87102

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

On this 11th day of December, 19 81, before me personally appeared Melvin D. & Anne C. Rueckhaus, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Carol E. Scott
Notary Public

My Commission Expires:
July 31, 1985

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated Dec 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16th day of December, 19 81.

Walter E. Adkins
Linda M. Adkins

TRACT(S) _____

Address: _____

7221 W 13th
Kenneth, WA. 99336

STATE OF Washington)
COUNTY OF Benton) ss.

On this 16th day of December, 19 81, before me personally appeared Walter E. & Linda M. Adkins, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed said instrument as his free act and deed.

Peggy A. McFarland
Notary Public

My Commission Expires:

11/10/83

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Olito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 14th day of December, 1981.

TRACT(S) 14, 15017

Susan Elizabeth Schulte
Address: 5462 Brentwood Dr.
Klamath Falls, Oregon
97601

STATE OF OREGON)
COUNTY OF KLAMATH) ss.

On this 14th day of DECEMBER, 1981, before me personally appeared SUSAN ELIZABETH SCHULTE, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Ralph A. Crawford
Notary Public

My Commission Expires:

March, 1984

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oil Unit Area, County of DECEMBER 8, 1981, Rio Arriba, State of New Mexico, dated DEC 8, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15th day of DECEMBER, 19 81.

TRACT(S) 17

Address: Elvada Johnson
Public Co

STATE OF NEW MEXICO

COUNTY OF SANDOVAL

ss.

On this 15th day of DECEMBER, 19 81, before me personally appeared A.G. JOHNSON + ELVEDA JOHNSON to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Lottie M. Davis
Notary Public

My Commission Expires:

August 10, 1984

STATE OF _____

COUNTY OF _____

ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Orito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16th day of December, 1981.

TRACT(S) 14, 15, 17

Edgar A. Boring Evelyn Boring
Address: Blanco NM

STATE OF New Mexico)
COUNTY OF Santa Fe) ss.



signature Evelyn Boring
RUBY LEA TOLES
NOTARY PUBLIC - NEW MEXICO
Notary Bond Filed with Secretary of State
My Commission Expires: 4-16-83

On this 16th day of December, 1981, before me personally appeared Edgar A. Boring Evelyn Boring to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Ruby Lea Toles
Notary Public

My Commission Expires: 4-16-83

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito Unit Area, County of Rio Arriba, State of New Mexico, dated December 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts, and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

Kenai Oil and Gas, Inc. and Jerome T. McNuggh, the Lessees of Record and working Interest Owner of the Oil and Gas Leases attached hereto and which are tabulated under the Tracts referenced below, hereby commit the basic royalty created under the terms of said leases in favor of the Lessors to the Ojito Unit Agreement, pursuant to the terms and provisions of said Oil and Gas Leases.

This Ratification and Joinder of unit agreement shall be binding upon the undersigned, his, her, or its heirs, devisees, executors, assigns, or successors in interest.

EXECUTED this 21st day of December, 1981.

~~Jerome P. McHugh~~
~~KENAI OIL AND GAS, INC.~~

By Joseph R. Mazzola
Joseph R. Mazzola, Sr. Vice President
Address: 717 - 17th Street
Suite 2000
Denver, CO 80202

TRACTS

STATE OF COLORADO)
CITY AND) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me by Joseph R. Mazzola

: 88 Senior Vice President

SE. KENAI OIL AND GAS INC.

This 21st day of December, 1981.

WITNESS my hand and official seal.

My Commission Expires:

My Commission Expires June 29, 1985

Amelia R. Nell
Notary Public
Residing at 7481 Zutterman St.

STATE OF Colorado
COUNTY OF Grand SS.

Westminster, Colorado 80030

The foregoing instrument was acknowledged before me by

THIS 21st day of December, 1981.

WITNESS my hand and official seal.

Commission Expires:

08-08-84

J Ann Zruse
Notary Public

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 22nd day of July, 1980, by and between
U. S. Royalties Corporation, a corporation

whose post office address is P.O. Box 789, Houston Texas 77001, (hereinafter called Lessor (whether one or more) and
Jerome P. McHugh, (hereinafter called Lessee) 650 So. Cherry St., #1225 Denver, Colorado 80222

WITNESSETH, That the Lessor, for and in consideration of cash or hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by prospecting and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with right of way and easements for laying pipe lines, and erecting structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Río Arriba State of New Mexico described as follows, to wit:

Township 26 North, Range 2 West
Section 3: S¹SE¹₄
Section 10: NE¹₄
Section 11: W¹NW¹₄
Section 13: S¹N¹₂, N¹S¹₂

and containing 640 acres, more or less, three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced therefrom, and drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced from the leased premises or an acreage pooled therewith, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith, and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operation for the drilling of a

RTDR

3. In consideration of the premises the said Lessee covenants and agrees:

- 1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-fourth (1/4) part of all oil produced and saved from the leased premises.
- 2nd. To pay Lessor one-fourth (1/4) of the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-fourth (1/4), payable monthly at the prevailing market rate for gas.
- 3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-fourth (1/4) of the proceeds, at the mouth of the well, payable monthly at the prevailing rate.

ownership as to different portions or portions thereof, and operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no lessorhold owner shall be liable for any act or omission of any other lessorhold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the lessorhold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas may be referred to include such non-producing formations. The formation or formations of any unit shall be recomputed by Lessee, extending and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations of a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties hereinbefore provided, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize

all or any part of the above described lands with one or more of the formations thereunder with other lands in the same general neighborhood or unit plan of development or operation approved by any governmental authority and, from time to time, modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease, modified to conform to the terms, conditions and provisions of such approved cooperative or unit plan of development or operation, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement and above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan or agreement whereby the production therefrom is allocated to different portions of the land covered by said plan, then the particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as a distinct particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made shall be based upon production only so allocated. Lessee shall formally express Lessor's consent to any cooperative or unit plan adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee, and covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and in whole or in part, not Lessee hold liable and damages, for failure to comply therewith, if compliance is prevented by result of any such Law, Order, Rule or Regulation.

13. Lessor and Lessee, by payment of taxes or other burdens on the above described lands, in the event of default of payment by Lessee, shall be obligated to the rights of the holder thereof, and the undersigned Lessor, for themselves and their heirs, executors or assigns, in any way affect the purposes for which this lease is made, as recited herein.

14. Should any one or more of the parties hereto have agreed to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the Lessor, Lessee and assigns of Lessor and Lessee.

IN WITNESS WHEREOF, this instrument has been signed by the parties hereto and delivered.

ELLIE RUDY, PRESIDENT

U. S. Royalties Corporation

Tax Identification Number: 11-156 0870

MARY

Mary Ann Maule
Mary Ann Maule, President

Office of the

COUNTY CLERK

RIO ARriba COUNTY

RECEIVED OF

1889

For Recording Various Oil & Gas Instruments

Amount \$9.11

No 6926

☐ CASH
☒ CHECK
☐ OTHER

Tierra Amarilla, N.M.

August 11, 1980

David S. Chantz
Kathleen R. Utter

CLERK

DEPUTY

STATE OF

Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,

COUNTY OF

ACKNOWLEDGMENT -- INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this

day of 19 personally appeared

and

to me known to be the identical person described in and who executed

the within and foregoing instrument of writing and acknowledged to me that
and voluntary act and deed for the uses and purposes therein set forth

duly executed the same as free

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

My Commission Expires

Notary Public

State of

ACKNOWLEDGMENT (For use by Corporation)

County of

On this 31st day of July

A. D. 19 80, before me personally

appeared Ellis Pusky

to me personally known who being by

me duly sworn, did say that he is the President of

U. S. Royalties Corporation

and that the seal affixed to said 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

Ellis Pusky acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 31st day of July

A. D. 19 80

(SEAL)

Notary Public

My Commission expires

June 1, 1981

No

FROM

TO

Dated

No. Acres

County

Term

995-48

This instrument was filed for record on the 11th

day of Aug 1980 at

10:00 o'clock A.M. and duly recorded in

Volume 90 Page 479-481

of the records of this office.

By Daniel S. Chantz
County Clerk

Judy Chantz
Deputy

When recorded refer to

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Orito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

executed this 17 day of December, 19 81.

TRACT(S) 124N-R2WN.M.P.M.

Sec. 10: W 1/2 SE 1/4

Address: 415 GIRARD NE

Albuquerque New Mexico

STATE OF New Mexico

COUNTY OF Bernalillo

ss.

On this 17 day of December, 19 81, before me personally appeared Ray E. Spahr, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

L. A. Levy
Notary Public

My Commission Expires:

27 March 1984

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

STATE OF CALIFORNIA

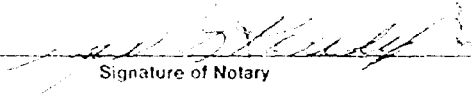
COUNTY OF _____

SS.

On _____ before me, the undersigned, a Notary Public in and for said
State, personally appeared _____

_____, known to me
to be the person whose name _____ subscribed
to the within instrument and acknowledged that
executed the same.

WITNESS my hand and official seal.



Signature of Notary

(This area for official notarial seal)

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilto Unit Area, County of Dec 18, 1981, Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16th day of December, 1981.

William H. Schimke
La Verne Schimke

TRACT(S) 15

Address: Box 8-D

Daggett Cal

STATE OF CALIFORNIA

ss.

COUNTY OF SAN BERNARDINO

On this 16th day of December, 1981, before me personally appeared La Verne Schimke, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Iva Hartman
Notary Public

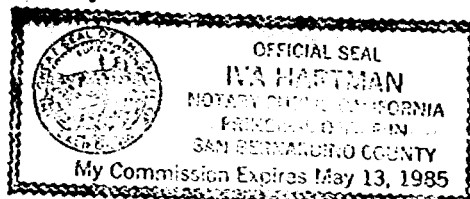
My Commission Expires:

May 13, 1985

STATE OF _____

ss.

COUNTY OF _____



On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilto Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 12th day of December, 1981.

15818
T24N-R2W, N.M.P.M.
Sec. 2: Lots 3,4, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$
TRACT(S) Sec. 3: SE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$,
SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$

Milton B. Davis
Marveta R. Davis
Address: 2929 Mesilla NE
Albuquerque, N.M. 87110

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 12th day of December, 1981, before me personally appeared Milton B. & Marveta R. Davis, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

[Signature]
Notary Public

My Commission Expires:

Dec 11 1984
STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilto Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15 day of December, 1981.

TRACT(S) 16-15

Dorothy Ehlen
Address: RR #5 Box 174

Enid Oklahoma 73701

STATE OF Oklahoma

COUNTY OF Garfield

) ss.

On this 15 day of December, 1981, before me personally appeared DOROTHY EHLEN, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Kathleen M. Shurij
Notary Public

My Commission Expires:

MY COMMISSION EXPIRES APRIL 9, 1985

STATE OF _____

COUNTY OF _____

) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 18th day of December, 1981.

Virginia Mafine Davis
Virginia M. Davis
Jan 15 1982

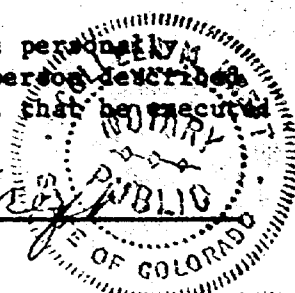
TRACT(S) 1515

Address: _____

STATE OF Colorado)
COUNTY OF Montrose) ss.

On this 18th day of December, 1981, before me personally appeared Virginia M. Davis, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Colleen A. K...
Notary Public



My Commission Expires:

December 18, 1982

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oil Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16 day of December, 1981.

TRACT(S) 15 thru 18

Address: 3915 S. Alhambra Rd

Tucson 85706

STATE OF Arizona)
COUNTY OF Pima) ss.

On this 16 day of Dec, 1981, before me personally appeared Myra E. Jones, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Severly Crowe
Notary Public

My Commission Expires:

May 11, 1985

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oil Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15 day of December, 19 81.

Ernest B Williams
Ma Mack Williams

TRACT(S) 16 & 18

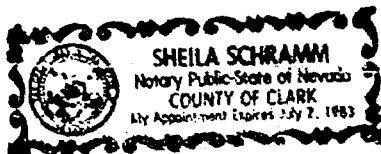
Address: 6337 Hobart Ave
LAS Vegas, Nevada
89107

STATE OF Nevada)
COUNTY OF Clark) ss.

On this 15th day of December, 19 81, before me personally appeared Ernest B. & Ma Mack Williams to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Sheila Schramm
Notary Public

My Commission Expires:



STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 15th day of DECEMBER, 1981.

TRACT(S) 12

Address: Bert T. Price
Linduth Ariz

STATE OF NEW MEXICO)
COUNTY OF SANDOVAL) ss.

On this 15th day of DECEMBER, 1981, before me personally appeared BERT T. PRICE & SYLVIA V. PRICE, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Lottie M. Davis
Notary Public

My Commission Expires:

AUGUST 10, 1984

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Orito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 14 day of Dec, 1981.

Herbert L. Koon

TRACT(S) 16618

Address: Dr. Lee NM

STATE OF New Mexico)

COUNTY OF San Juan)

ss.

On this 14 day of Dec, 1981, before me personally appeared Herbert Koon, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Kay Moore
Notary Public

My Commission Expires:

STATE OF _____)

COUNTY OF _____)

ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Orito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 14th day of December, 19 81.

Inez I. Koon
TRACT(S) 16 & 18 Individually and Attorney-in-Fact for Larry D. and
Address: Patricia L. Miller
910 N. Dustin
Farmington, NM

STATE OF New Mexico)
COUNTY OF San Juan) ss. Individually and
*Attorney-in-Fact for Larry D. and Patricia L. Miller

On this 14th day of December, 19 81, before me personally appeared Inez I. Koon*, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.



OFFICIAL SEAL

Signature Tommy Roberts

TOMMY ROBERTS

Notary Public - NEW MEXICO
Notary must file with Secretary of State

My Commission Expires:

My Commission Expires: 8-10-82

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Ojito Unit Area, County of Rio Arriba, State of New Mexico, dated Dec 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 18th day of December, 19 81.

TRACT(S) 16 & 18

Dorothy D. Blair

Dorothy D. Blair

Address: Lado Rt., Box 255

West Plains, MO 65775

STATE OF Missouri)

ss.

COUNTY OF Howell)

On this 18th day of December, 19 81, before me personally appeared Dorothy D. Blair, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Ginger A. Miller

Notary Public - Ginger A. Miller

My Commission Expires:

June 4, 1982

STATE OF _____)

ss.

COUNTY OF _____)

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Orito Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 16 day of December, 1981.


John N. Deplazes
Barbara A. Deplazes

TRACT(S) 16

Address: 4605 Rolling Stone
El Paso Tex 79924

STATE OF Colorado)
COUNTY OF Denver) ss.

On this 16th day of December, 1981, before me personally appeared John N. & Barbara A. Deplazes, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.


My Commission Expires:
Nov. 24, 1984

Verna C. Todd
Notary Public
1640 Grant
Denver, CO 80203

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 19 81, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 21st day of December, 19 81.

Cecil F. Roberts
TRACT(S) _____ Address: 2405 "A" South Park St
Amador, TX 79109

STATE OF Texas)
COUNTY OF Patten) ss.

On this 21st day of December, 19 81, before me personally appeared Cecil F. Roberts, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.



Linda Rogers
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19 81, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said 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 _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Oilco Unit Area, County of Rio Arriba, State of New Mexico, dated DEC 18, 1981, in form approved on behalf of the Secretary of the Interior, the undersigned (whether one or more) hereby expressly joins said Unit Agreement and ratifies, approves, adopts and confirms said Unit Agreement as fully as though the undersigned had executed the original agreement.

This Ratification and Joinder shall be effective as to the undersigned's interests in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interests in unitized substances, covering the lands within the Unit Area in which the undersigned may be found to have an oil or gas interest.

This Ratification and Joinder of Unit Agreement shall be binding upon the undersigned, his, her or its heirs, devisees, executors, assigns or successors in interest.

EXECUTED this 17th day of December, 1981.

ALBUQUERQUE NATIONAL BANK, TRUSTEE

By Robert C. Boule
Trust Officer

TRACT(S) 18 and 20
17 & 19

Address: ALBUQUERQUE NATIONAL BANK
TRUST REAL ESTATE DEPT.
P.O. BOX 1000
ALBUQUERQUE, NEW MEXICO 87103

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1981, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

Notary Public

My Commission Expires:

STATE OF New Mexico)
COUNTY OF Bernalillo) ss.

On this 11 day of December, 1981, before me appeared Robert C. Boule to me personally known, who, being by me duly sworn, did say that he is the Vice President of Albuquerque, and that the seal affixed to said 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 Robert C. Boule acknowledged said instrument to be the free act and deed of said corporation.

Yolanda M. Sanchez
Notary Public

My Commission Expires:

August 12, 1984



OFFICIAL SEAL
YOLANDA M. SANCHEZ
NOTARY PUBLIC - NEW MEXICO
Notary Bond Filed with Secretary of State
My Commission Expires 8/16/84

United States Department of the Interior



South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

Edmundson, Incorporated
Attention: Roy Edmundson
P. O. Box 1707
Denver, Colorado 80201

Gentlemen:

An approved copy of the Ojito Unit Agreement, Rio Arriba County, New Mexico, is enclosed. Such agreement has been assigned No. 14-08-0001-19571 and is effective December 23, 1981, the same date as approved.

You are requested to furnish all interested principles with appropriate evidence of this approval.

Sincerely yours,

James W. Lutton
For: Gene F. Daniel
Deputy Conservation Manager
Oil and Gas

Enclosure

KENAI

2

7450

GEOLOGICAL MEMORANDUM
OJITO UNIT AREA
RIO ARriba COUNTY, NEW MEXICO

Kenai Oil and Gas Inc. proposes the formation of a divided Federal Unit to be known as the Ojito Unit Area comprising 6,424.50 acres, more or less. The proposed Ojito Unit Area is located 2 miles south of the town of Gavilan.

The test well will be drilled to a depth of 2600 feet or to test those sands found to be productive in the Kenai Oil and Gas Inc. #31-12 Federal NW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 12, Township 24 North-Range 2 West.

The location of the test well is to be in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 2, Township 24 North-Range 2 West, N.M.P.M., Rio Arriba County, New Mexico.

The primary objectives are the upper sands in the Nacimiento formation was discovered by the Kenai Oil and Gas Inc #31-12 Federal in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 12, Township 24 North-Range 2 West. The well was completed February 2, 1980 flowing 3569 MCFGPD from the perforated interval 2380-95. The Jerome P. McHugh #12 Big Hit in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 12, Township 24 North-Range 2 West, a follow-up well, was completed December 26, 1980 flowing 1058 MCFGPD from the perforated interval 2390-2402.

A review of logs of the several unsuccessful Pictured Cliff wells drilled in the unit area indicated these sands to be present along a northwest-southeast trend through the area and possibly productive. The failure of prior drilling to have discovered production in these sands was probably due to a lack of interest in any formation above the Pictured Cliffs formation, which is the major producing formation in the area.

The Ojito Unit Area is delineated by including all quarter sections which are cut by the 10 foot isopach contour.

A. C. Wilckens
A. C. Wilckens
Geologist
Kenai Oil and Gas Inc.

KENAI

010810

7450

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Page 2

COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

Docket No. 42-81

DOCKET: EXAMINER HEARING - MONDAY - DECEMBER 28, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

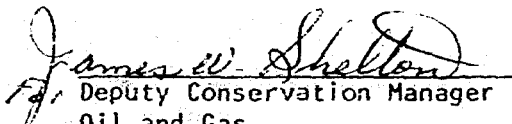
The following case will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7450: Application of Kenai Oil and Gas Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ojito Unit Area, comprising 6425 acres, more or less, of Federal and fee lands in Townships 24 and 25 North, Ranges 1 and 2 West.

APPROVAL--CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, 35 seq., and delegated to the Deputy Conservation Managers, Oil and Gas, of the U. S. Geological Survey, I do hereby:

- A. Approve the attached agreement for the development and operation of the Ojitos 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.


Deputy Conservation Manager
Oil and Gas
U. S. Geological Survey

DEC 23 1931

Dated

14-08-0001-19571

Contract Number

KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin

W. Thomas Kellahin

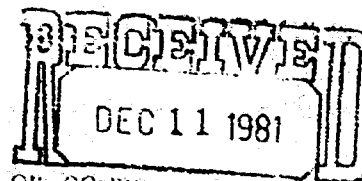
Karen Aubrey

Telephone 982-4285

Area Code 505

December 9, 1981

Mr. Dan Nutter
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501



OIL CONSERVATION DIVISION
SANTA FE

Case 7450

RE: Kenai Oil & Gas Inc.

Dear Dan:

In accordance with your telephone conversation with Mr. Roy Edmundson, please find enclosed our application for approval of a unit agreement to be set at a special examiner hearing to be called for December 28, 1981.

Very truly yours,

A handwritten signature in dark ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and "K".

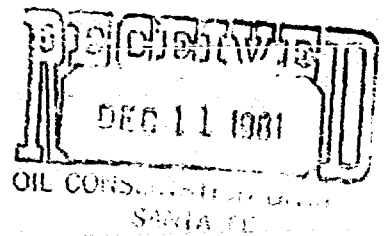
W. Thomas Kellahin

WTK:jm

Enclosure

cc: Mr. Roy Edmundson

BEFORE THE NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION OF
KENAI OIL & GAS INC., FOR APPROVAL
OF THE OJITO UNIT, RIO ARriba COUNTY
NEW MEXICO.

Case 7450

A P P L I C A T I O N

COMES NOW KENAI OIL & GAS INC., and applies to the Oil
Conservation Division of New Mexico for approval of a Unit
Agreement, Rio Arriba County, New Mexico and in support
thereof would show:

1. Applicant has formed its Ojito Unit, composed of
Federal and Fee acreage consisting of the following lands:

Township 25 North, Range 2 West

Section 27: SW/4
Section 28: W/2 and SE/4
Section 29: All
Section 30: All
Section 33: All
Section 34: All

Township 24 North, Range 2 West

Section 2: All
Section 3: All
Section 11: N/2
Section 12: All

Township 24 North, Range 1 West

Section 7: W/2
Section 18: All

being approximately 6424.50 acres more or less.

2. Applicant is designated as operator of the proposed
unit.
3. The Unit Agreement has been submitted to the United
States Geological Survey for preliminary approval.
4. The said Unit Agreement has been approved by sufficient
owners of interests to assure its ultimate effectiveness.

640 320 160
8 3
5120 960 160
960
160
6440

5. The said Unit is being formed for the exploration of the acreage dedicated to it forming a geological area suitable for exploration.

6. The granting of this application will result in the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing before the Division's duly appointed Examiner and that after notice and hearing, an order be entered approving the Unit Agreement.

KENAI OIL & GAS INC.

By



W. Thomas Keillan

P.O. Box 1769

Santa Fe, New Mexico 87501

(505) 982-4285

ROUGH

HERBIE
ORDERS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

JAR

CASE NO. 7450

Order No. R-6872

APPLICATION OF KENAI OIL AND GAS INC.
FOR APPROVAL OF THE OJITO
UNIT AGREEMENT, RIO ARRIBA COUNTY, NEW MEXICO.

RLL

JAR

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 28,
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of December, 19 82, the
Division Director, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Kenai Oil and Gas Inc.,
seeks approval of the Ojito Unit Agreement
covering 6,114.94 acres, more or less, of ~~State~~ Federal
and Fee lands described as follows:

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 28, 19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of December, 19 82, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Kenai Oil and Gas Inc., seeks approval of the Ojito Unit Agreement covering 6,114.94 acres, more or less, of ~~state~~ Federal and Fee lands described as follows:

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

Section 18: A11

TOWNSHIP 24 NORTH, RANGE 2 WEST, NMPM

Section 2: A11

Section 3: E/2 and E/2W/2

Section 10: E/2

Sections 11 and 12: A11

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM

Section 27: SW/4

Section 28: W/2 and SE/4

Section 29: A11

Section 30: E/2 E/2

Sections 33 and 34: A11

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Ojito Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the ~~Commissioner of Public Lands for~~

~~State of New Mexico and the~~ Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

Dismissed

~~Cont to 1/20~~

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NEW MEXICO
FOR COMPULSORY POOLING, CHAVES COUNTY,
PEXIDON PETROLEUM CORPORATION

marked copy of docket to
James C. Vandiver
40 Inverness Drive East
Suite 30
Englewood Colo 80112

DOCKET MAILED

Date 12/28/81
1/8/82
1/25/82