

**UNIT OPERATING AGREEMENT  
WEST BLINEBRY - DRINKARD UNIT  
LEA COUNTY, NEW MEXICO**

Oil Conservation Division  
Case No. 3 14125  
Exhibit No. 3

**UNIT OPERATING AGREEMENT**  
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UNIT OPERATING AGREEMENT  
WEST BLINEBRY - DRINKARD UNIT  
LEA COUNTY, NEW MEXICO

THIS AGREEMENT ("Agreement"), entered into as of the 1st day of December, 2007, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed or have otherwise, pursuant to the order of the Oil Conservation Division of the Department of Energy and Minerals of the State of New Mexico (the "Division"), become subject to, as of the date hereof, an agreement entitled "Unit Agreement, West Blinebry - Drinkard Unit, Lea County, New Mexico," herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for Unit Operations as therein defined;

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

ARTICLE I

CONFIRMATION OF UNIT AGREEMENT

1.1 Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of and incorporated into this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement as if such were fully set forth and defined herein. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern. This Agreement shall supersede all existing agreements (other than the Unit Agreement) by and among the parties hereto covering the Unit Area as to the Unitized Formation to the extent that the provisions of such existing agreements conflict with the provisions of this Agreement.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits are incorporated herein by reference:

2.1.1 Exhibits A, B-1, B-2 and B-3 of the Unit Agreement.

2.1.2 Exhibit C, attached hereto, is a schedule showing the Phase I and Phase II Unit Participations of each Working Interest Owner. Exhibit C, or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Phase I and Phase II Unit Participations of Working Interest Owners for purposes of this Agreement until shown to be in error and revised as herein authorized.

2.1.3 Exhibit D, attached hereto, is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit D, this Agreement shall govern.

2.1.4 Exhibit E, attached hereto, contains insurance provisions applicable to Unit Operations.

2.1.5 Exhibit F, attached hereto, is the Gas Balancing Agreement applicable to Unit Operations.

2.1.6 Exhibit G, attached hereto, is the form of indemnity agreement provided for in Section 13 of the Unit Agreement.

2.1.7 Exhibit H, attached hereto, is the non-discrimination agreement provided for in Section 21.2 hereof.

2.1.8 Exhibit I, attached hereto, is a list of wells to be committed to Unit Operations and delivered to Unit Operator on the Effective Date for use in such Unit Operations (such wells, together with any wells drilled pursuant to the terms of this Agreement and any other wells hereafter committed to Unit Operations and delivered to Unit Operator, are hereinafter referred to as "Unit Wells").

2.2 Revision of Exhibits. Whenever Exhibits A, B-1, B-2, and B-3 are revised in accordance with the Unit Agreement, Exhibit C shall be revised accordingly and be effective as of the same date. Unit Operator shall also revise Exhibit C from time to time as necessary to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement. Working Interest Owners shall be provided a duplicate copy of any exhibit revised as provided herein.

2.3 Reference to Exhibits. When reference is made herein to an exhibit, it is to the exhibit as originally attached, or, if revised, to the last revision.

## ARTICLE 3

### SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to and in accordance with the provisions of this Agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owner shall act solely on its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authority and Duties. The matters with respect to which Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation. The method of operation, including the type or types of pressure maintenance, secondary or tertiary recovery, or other enhanced recovery program to be employed.

3.2.2. Drilling of Wells. The drilling, deepening, sidetracking, reworking or plugging back of any Unit Well whether for production of Unitized Substances, for use as an injection well with regard to the Unitized Formation, or for other purposes associated with the objectives of this Agreement and the Unit Agreement.

3.2.3 Well Abandonment, Use, and Conversion. The recompletion, abandonment or change of status of any Unit Well; the use of any Unit Well for injection, saltwater disposal, or for any purpose other than production; or the conversion of the use of any Unit Well from one purpose to another. The reactivation of a Unit Well which was shut-in or temporarily abandoned to its former use, by Unit Operator shall not require prior approval of Working Interest Owners if the estimated expenditure is less than the expenditure limitation specified in Section 3.2.4.

3.2.4 Expenditures. The making of any single expenditure in excess of fifty thousand dollars (\$50,000.00); provided, however, that the approval by Working Interest Owners of the drilling, reworking, deepening, sidetracking or plugging back of any Unit Well shall include approval of all necessary expenditures required therefore, and for completing, testing, and equipping the Unit Well, including necessary flow lines, separators, and lease tankage.



3.2.5 Disposition of Unit Equipment. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the current price of new equipment similar thereto is fifty thousand dollars (\$50,000.00) or more.

3.2.6 Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided, however, that Unit Operator shall act as such representative in the absence of the designation of a different representative by Working Interest Owners. In the event that the Working Interest Owners have designated a representative other than Unit Operator for such purposes, Unit Operator shall be promptly notified of such designation. Such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative to appear and/or act on its own behalf.

3.2.7 Unit Operator's Tools and Equipment: The use by Unit Operator of its own tools and equipment (the charges for which are to be charged to the joint account) in the drilling of a Unit Well or in any other operation in which drilling equipment is required.

3.2.8. Audits. The settlement of unresolved audit exceptions and the auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; provided, however, that the audit shall not be conducted more than once each year except upon the resignation or removal of Unit Operator, and shall be made upon not less than thirty (30) days written notice to Unit Operator. The costs and expenses of any such audit shall be born by (i) all of the Working Interest Owners (other than the Unit Operator) if the audit has been approved by the Working Interest Owner(s) owning a majority of the Unit Participation, after the Unit Operator's Unit Participation has been excluded; or (ii) by the Working Interest Owners requested such audit, if the Working Interest Owner(s) so requesting such audit hold less than a majority of the Unit Participation, after the Unit Operator's Unit Participation has been excluded.

3.2.9 Inventories. The taking of periodic inventories under the terms of Exhibit D.

3.2.10 Technical Services. The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit D.

3.2.11 Assignment to Committees. The appointment of committees to study any problems or issues related to Unit Operations.

3.2.12 Removal of Operator. The removal of Unit Operator and the selection of a successor pursuant to the terms of the Unit Agreement and Sections 6.2 and 6.3 hereof.

3.2.13 Changes and Amendments: The changing of the Unit Area or the amending of this Agreement or the Unit Agreement as provided therein.

3.2.14 Investment Adjustments. The adjustment and readjustment of investments.

3.2.15 The Termination of Unit Agreement. The termination of the Unit Agreement as provided therein.

3.2.16 Cooperative Agreements. The approval of cooperative agreements as provided in Section 7.11 hereof.

#### ARTICLE 4

##### MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by prior written notice to Unit Operator. Likewise, the Unit Operator shall notify each Working Interest Owner of its designated representative and such representative's address for notification. Unit Operator shall notify each Working Interest Owner in writing in the event that it changes its representative and/or such representative's address for notification. Except as otherwise expressly set forth herein, all notices and proposals to be sent to the Working Interest Owners and/or Unit Operator shall be sent to each such party's designated representative at the address for such representative as established under this Section 4.1.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one (1) or more Working Interest Owners having a total Phase II Unit Participation

of not less than five percent (5%). No meeting shall be called on less than fourteen (14) days advance written notice, with the proposed agenda for the meeting attached thereto; provided, however, that any such meeting may be requested by Unit Operator or such Working Interest Owners upon forty-eight (48) hours notice when an emergency situation exists, as determined in the reasonable discretion of the party calling such meeting. Working Interest Owners who attend the meeting (whether called pursuant to an emergency or otherwise) may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be the chairman of each meeting.

4.3 Voting Procedure. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its then current Phase II Unit Participation.

4.3.2 Vote Required. Unless otherwise expressly provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters in good faith by the affirmative vote of three (3) or more Working Interest Owners having a combined voting interest of at least sixty-five percent (65%); provided, however, that should any one Working Interest Owner have more than thirty-five percent (35%) voting interest, its negative vote or failure to vote shall not defeat a motion and such motion shall pass if approved by Working Interest Owners having a majority voting interest, unless two or more additional Working Interest Owners likewise vote against the motion or fail to vote. In any instance in which the approval or decision of the Working Interest Owners is required under this Agreement or the Unit Agreement, such approval shall be obtained or such decisions shall be made in accordance with the voting requirements specified in this Section 4.3.2 unless different requirements are otherwise expressly set forth with regard to such approval or decision.

4.3.3 Vote at Meeting by Non-attending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by hand-delivering by messenger service or transmitting by facsimile transmission, notice of its vote to Unit Operator's representative prior to the meeting. For the avoidance of doubt, it is the responsibility of each Working Interest Owner who is not represented at a meeting to ensure that the Unit Operator's representative is actually aware of the vote of such Working Interest Owner prior to such meeting. Mere transmission of a communication containing such vote is not sufficient.

4.3.4 Poll Votes. Working Interest Owners may vote on and decide, without the necessity of calling a meeting, any matter submitted in writing to Working Interest Owners. If a meeting is not requested, as provided in Section 4.2, within fourteen (14) days after a written proposal is sent to Working Interest Owners, each Working Interest Owner shall cast its vote by hand-delivering by messenger service or transmitting by facsimile transmission notice of such vote to the Unit Operator's representative. The vote on any such proposal shall become final at 5:00 p.m. local time (at the address for notices for Unit Operator's representative) on the fourteenth day after the date on which such written proposal was first sent to the Working Interest Owners. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

4.3.5. Approved Action Binding Upon All Parties. Any action, determination or decision which has been approved by the Working Interest Owners, pursuant to this Article 4, shall be binding upon each and every Working Interest Owner, even though any such Working Interest Owner may have voted against the matter or failed to vote.

## ARTICLE 5

### INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Working Interest Owners severally reserve unto themselves all their rights, except as otherwise expressly provided in this Agreement and the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all Unit Wells, and the records and data pertaining thereto, at such Working Interest Owner's sole cost, risk and expense.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to Working Interest Owners in accordance with this Agreement shall be charged to the Working Interest Owner(s) requesting such information.

5.2.3 CO2. The right to supply in-kind its proportionate share of any CO2 or other injectants used in secondary, tertiary or enhanced recovery operations.

5.2.4. Audits. The right to audit the accounts of Unit Operator pertaining to Unit Operations according to the provisions of Exhibit "D".

## ARTICLE 6

### UNIT OPERATOR

6.1 Initial Unit Operator. Apache Corporation is hereby designated as the initial Unit Operator.

6.2 Resignation or Removal. The Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release such Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of its intention to resign has been given by Unit Operator to all Working Interest Owners, the Land Commissioner and the Authorized Officer, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of such six (6) month period.

The Unit Operator shall be subject to removal by the affirmative vote of three (3) or more Working Interest Owners having, in the aggregate, sixty-five percent (65%) or more of the Unit Participation then in effect exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon delivery of notice thereof to the Authorized Officer and the Land Commissioner (as defined in the Unit Agreement).

In all such instances of effective resignation or removal of the Unit Operator, until a successor to the outgoing Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager pursuant to the voting requirements of Section 4.3.2 to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in the Unit Area or in the Unitized Substances, but

upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall promptly deliver possession of all well equipment, books and records, materials, appurtenances and any other assets used in connection with the Unit Operations to the new duly qualified successor Unit Operator or to the Unit Manager if no such Unit Operator is then elected. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any Unit Wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

6.3 Selection of Successor. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. The selection of a successor Unit Operator shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Land Commissioner and the Authorized Officer. If no successor Unit Operator is selected and qualified as herein provided, and if no Unit Manager has been duly appointed as hereinabove provided, the Land Commissioner and the Authorized Officer at its election, may declare this Agreement to be terminated.

In selecting a successor Unit Operator, the affirmative vote of three or more Working Interest Owners having an aggregate total of sixty-five percent (65%) or more of the total Unit Participation then in effect shall prevail; provided that if any one Working Interest Owner has a Unit Participation then in effect of more than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of two or more other Working Interest Owners having an aggregate total Unit Participation then in effect of at least five percent (5%). For the avoidance of doubt, the Unit Operator who resigns or is removed pursuant to the terms hereof may vote on the successor Unit Operator, except that if the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of the owners of at least sixty-five percent (65%) of the Unit Participation then in effect remaining after excluding the Unit Participation then in effect of Unit Operator so removed.

## ARTICLE 7

### AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this Agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in its discretion, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except the liens and security interests of Unit Operator granted hereunder.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts, and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish Working Interest Owners annual reports of Unit Operations.

7.7. Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operator shall furnish to a Working Interest Owner, upon its written request, a copy of all logs and other engineering and geological data pertaining to Unit Wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of fifty thousand dollars (\$50,000.00) without prior approval of Working Interest Owners. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All Unit Wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefore shall not exceed the usual rates prevailing in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

7.11 Cooperative Agreements. Unit Operator may, upon approval by Working Interest Owners, enter into cooperative agreements with the operator(s) and/or working interest owner(s) of lands adjacent to the Unit Area for the purpose of coordinating Unit Operations with operations to be conducted by such operators and/or working interest owner(s) on such lands adjacent to the Unit Area.

## ARTICLE 8

### TAXES

8.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date hereof Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account; provided, however, that if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of a one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for any reduction in taxes paid resulting therefrom. If the ad valorem taxes are based in whole or in part upon separate valuation of the Working Interest of each Working Interest Owner, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the Working Interest Owners in accordance with the tax value generated by the Working Interest of each Working Interest Owner. If Unit Operator considers any tax assessment improper, Unit Operator may, at



its discretion, protest within the time and manner prescribed by law, and prosecute to a final determination, unless Working Interest Owners agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest or penalty. When any such protested assessment shall have been finally determined, Unit Operator shall pay the tax, together with any interest and penalty accrued, for the joint account.

8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances, except that on gas production only the taking parties shall pay such taxes.

## ARTICLE 9

### INSURANCE

9.1 Insurance. Unit Operator, with respect to Unit Operations, shall provide insurance as set forth in Exhibit E.

## ARTICLE 10

### ADJUSTMENT OF INVESTMENTS

10.1 Personal Property Taken Over. Upon the Effective Date, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 Wells. All Unit Wells listed on Exhibit I, together with the casing therein.

10.1.2 Well and Lease Equipment. The tubing in each such Unit Well, the wellhead connections thereon, and all other well, lease and operating equipment that is used in the operation of such Unit Wells, which Working Interest Owners determine is necessary or desirable for conducting Unit Operations. Working Interest Owners shall make such determination as soon as practicable after the Effective Date hereof, and all such property that is determined to be surplus shall be returned as promptly as possible to the Working Interest owners who delivered same to Unit Operator.

10.1.3 Condition of Wells. If any Unit Well listed on Exhibit I, has any zone(s) open below the Unitized Formation, the Working Interest Owner(s) of such Unit Well must abandon the wellbore below the Unitized Formation pursuant to applicable state and federal regulations. If any Unit Well has

any zone(s) open above the Unitized Formation, the Working Interest Owner(s) of such Unit Well must isolate such upper zone from the Unitized Formation in accordance with applicable state and federal regulations. All Unit Wells, including the casing therein, shall be delivered to Unit Operator in reasonably good physical condition capable of being used for Unit Operations. If within one hundred and twenty (120) days after the Effective Date it is determined by the Working Interest Owners that a Unit Well on Exhibit I has not been delivered to Unit Operator (a) in reasonably good physical condition capable of being used for Unit Operations on the Effective Date, and (b) free of any casing failure or leak, whether any such casing failure or leak is determined by Unit Operator to have developed before or after the Effective Date, and (c) with any zone(s) above or below the Unitized Interval that have not been placed in the condition as set out above in this Section 10.1.3, then the Working Interest Owner(s) who contributed such forty (40) acres shall be liable to the other Working Interest Owners for liquidated damages as measured by the cost of repairing one Unit Well (of Unit Operator's choice) on the forty (40) acres, or by the cost of drilling, completing, and equipping a replacement Unit Well on the forty (40) acres.

10.1.4 Records. A copy of all production and well records for such Unit Wells, and any other pertinent information and records requested by Unit Operator.

10.1.5 Retention of Liability. Notwithstanding anything to the contrary in this Agreement, each Working Interest Owner shall retain all liability and shall indemnify all other Working Interest Owners from any claims, demands, causes of action and liabilities relating to any Adverse Environmental Condition (as defined below), which existed prior to the Effective Date on any lands or leases owned by such Working Interest Owner within the Unit boundaries. For purposes of this Agreement, "Adverse Environmental Condition" shall mean any aspect of the leases, lands, plugged or abandoned wells, fixtures or personal property located on the leases or lands which is not in compliance with applicable Environmental Law. "Environmental Law" means all laws, statutes, ordinances, rules, administrative orders and regulations of any governmental authority pertaining to the protection of the environment in effect as of the Effective Date in the jurisdiction in which such leases or lands are located.

10.2 Inventory and Evaluation of Personal Property. As of the Effective Date, or promptly thereafter, Working Interest Owners shall, at Unit Expense, inventory and evaluate the personal property taken over by Unit Operator under Section 10.1.2. The inventory shall include and be limited to those items of equipment

considered controllable as recommended in the then most recent edition of the "Materials Classification Manual" in Bulletin No. 6 dated December 1996, or any amendments thereto, prepared by the Council of Petroleum Accountants Societies; provided, however, that upon determination of Working Interest Owners, items considered noncontrollable may be included in the inventory in order to insure a more equitable adjustment of investment. All noncontrollable items of well, lease and operating equipment used in the operation of the Unit Wells taken over under Section 10.1.1 which Working Interest Owners determine is necessary or desirable for conducting Unit Operations, although excluded from the inventory, shall nevertheless be taken over by Unit Operator. Casing taken over under Section 10.1.1 shall be included in the inventory for record purposes, but shall be excluded from evaluation and investment adjustment. Immediately following completion of such inventory, the material and equipment included in the inventory, with the exception of casing, shall be priced in accordance with the provisions of Exhibit "D". The pricing shall be performed under the supervision of, by the personnel of, and in the offices of the Unit Operator, with Working Interest Owners furnishing such additional pricing information as may be available and relevant.

10.3 Investment Adjustment. Upon approval by Working Interest Owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value, as determined under Section 10.2, of its interest in all personal property taken over under Section 10.1.2, and shall be charged with an amount equal to that obtained by multiplying the total value, as determined under Section 10.2, of all personal property taken over under Section 10.1.2 by such Working Interest Owner's Phase II Unit Participation. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be negotiated by Unit Operator with the owners thereof, subject to the approval of Working Interest Owners. There shall be no adjustments for lease roads or appurtenances thereto.

10.5 Ownership of Personal Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest, equal to its Phase II Unit Participation, in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this Agreement.

10.6 Non-usable and Junk Equipment. Non-usable and junk equipment and material will not be taken over by Unit Operator, but such items will remain the property of the Working Interest Owner(s) owning same prior to the Effective Date. Such Working Interest Owner(s) shall be responsible for the disposal of such non-usable and junk equipment and other materials within thirty (30) days of written request by Unit Operator.

## ARTICLE 11

### UNIT EXPENSE

11.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expenses for Unit Operations that do not otherwise require Working Interest Owner approval pursuant to Article 3 (hereinafter "Ordinary Unit Expenses"). Each Working Interest Owner shall reimburse Unit Operator for its share of Ordinary Unit Expenses. Each Working Interest Owner's share of Ordinary Unit Expenses shall be allocated in proportion to its respective Phase I or Phase II Unit Participation in effect at the time such ordinary Unit Expense is incurred.. All charges, credits, and accounting for, Ordinary Unit Expenses shall be in accordance with Exhibit D.

11.2 Advance Billings. Unit Operator shall have the right, without prejudice to its other rights or remedies, to require Working Interest Owners to advance their respective shares of estimated Ordinary Unit Expenses by submitting to each Working Interest Owner, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, together with an invoice for such Working Interest Owner's share thereof. Within thirty (30) days thereafter, each Working Interest Owner shall pay to Unit Operator its respective share of such estimate. Adjustments between estimated and actual Ordinary Unit Expenses shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly. If a Working Interest Owner fails to advance its respective share of estimated Ordinary Unit Expenses as provided in this Section 11.2, such Working Interest Owner's share of any such advanced billings shall be treated as an item of Unpaid Ordinary Unit Expenses pursuant to Section 11.4.

11.3 Commingling of Funds. Funds received by Unit Operator under this Agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.4 Unpaid Ordinary Unit Expense. If any Working Interest Owner fails or is unable to pay (i) its share of Ordinary Unit Expenses within sixty (60) days after rendition of a statement therefore by Unit Operator, or (ii) its share of advanced billings in accordance with Section 11.2, the unpaid balance shall be paid to Unit Operator by the non-defaulting Working Interest Owners (or by Unit Operator as applicable under Section 11.2) as if it were Ordinary Unit Expense in the proportion that the Unit Participation of each such non-defaulting Working Interest Owner bears to the total Unit Participation of all such non-defaulting Working Interest Owners. Such unpaid amount shall bear interest at the Prime rate set by Chase Manhattan Bank of New York for the same period plus one percent (1%) per annum or the maximum contract rate permitted by applicable usury laws, whichever is the lesser. Working Interest Owners (or Unit Operator, as applicable) so paying the same shall be reimbursed therefor, together with interest thereon, when the amount so carried and the interest thereon are collected from the defaulting Working Interest Owners which are primarily chargeable therewith. The amount carried (plus the interest thereon) shall be due and payable out of the proceeds from the defaulting Working Interest Owners share of the sale of Unitized Substances. During the time that any Working Interest Owner fails to pay its share of Ordinary Unit Expenses, the Unit Operator shall be entitled to collect and receive from the purchaser of production, the proceeds from such defaulting Working Interest Owner's share of the sale of Unitized Substances. All credits to any such defaulting Working Interest Owner on account of the sale or disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Ordinary Unit Expenses charged against such defaulting Working Interest Owner until such Working Interest Owner's share of Ordinary Unit Expenses are paid in full, together with any interest accrued thereon.

Notwithstanding the foregoing, Unit Operator shall have the option, but not the obligation, to elect to carry or otherwise finance any defaulting Working Interest Owner(s) in lieu of having all non-defaulting Working Interest Owners participate in the carrying or otherwise financing any defaulting Working Interest Owners(s). Unit Operator upon such election shall be entitled to recovery of the money advanced on behalf of a defaulting Working Interest Owner, plus any additional administrative charges and interest as provided herein.

11.5 Lien and Security Rights. In addition to any other security rights and remedies provided for by the laws of the State of New Mexico with respect to services rendered, or materials and equipment furnished under this Agreement, each Working Interest Owner grants to Unit Operator (i) a first and prior lien upon each Working Interest, including its Oil and Gas Rights in the Unit Area, (ii) a security interest in its share of oil

and/or gas when extracted and all proceeds thereof and (iii) a first and prior lien on its interests in all Unit Equipment to secure payment of its share of Unit Expenses (including initial secondary recovery capital Unit Expense), together with interest thereon at the Prime rate set by Chase Manhattan Bank of New York for the same period plus one percent (1%) per annum or the maximum contract rate permitted by applicable usury laws, whichever is the lesser. To the extent that Unit Operator has a security interest under the Uniform Commercial Code of the State of New Mexico, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Ordinary Unit Expenses, Unit Operator, on its own behalf and/or on behalf of the Working Interest Owners who have carried such defaulting Working Interest Owner, shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner (including any applicable administrative charge), plus interest, has been paid. This paragraph shall serve as legal notice to any purchaser of oil and/or gas of Unit Operator's right to collect proceeds when accompanied by Unit Operator's written statement concerning the amount of any default, and any such purchaser shall have the right to rely on the Unit Operator's statement thereof. Unit Operator grants to Working Interest Owners (other than Unit Operator) an identical lien and security interest, together with the same remedies as provided to Unit Operator above, to secure payment of Unit Operator's share of Unit Expenses. Unit Operator shall have the right to file financing statements and such other instruments as may be necessary to perfect the liens and security interests granted herein; and the Working Interest Owners agree to cooperate and assist in preparing and/or executing any such instruments.

11.6 Budgets. Before or as soon as practical after the Effective Date, Unit Operator shall prepare a budget of estimated Unit Expenses for the remainder of the calendar year, and thereafter shall prepare budgets and mail same to Working Interest Owners on or before the 1<sup>st</sup> day of April of each calendar year subsequent to the Effective Date. Such budget shall consist of estimates only, and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall be furnished as soon as reasonably possible to each Working Interest Owner.

11.7 Carved-Out Interest. If any Working Interest Owner shall, after executing this Agreement, create an overriding royalty, production payment, net proceeds interest, carried interest, or any other interest out of its

Working Interest, such carved-out interest shall be subject to the terms and provisions of this Agreement, specifically including, but without limitation, Section 11.5 hereof entitled "Lien and Security Rights". If the Working Interest Owner creating such carved-out interest (a) fails to pay any Unit Expense chargeable to such Working Interest Owner under this Agreement, and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (b) withdraws from this Agreement under the terms and provisions of Article 17 hereof, the carved-out interest shall be chargeable with a pro rata portion of all Unit Expenses incurred hereunder, the same as though such carved-out interest was a Working Interest, and Unit Operator shall have the right to enforce against such carved-out interest the lien and all other rights granted in this Agreement or otherwise by law for the purpose of collecting the Unit Expenses chargeable to the carved-out interest.

11.8 Uncommitted Royalty. Should an owner of a Royalty Interest in any Tract fail to become a party to the Unit Agreement, and, as a result thereof, the actual Royalty Interest payments with respect to such Tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of the Working Interest Owners in proportion to their respective Unit Participations at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. If such difference exceeds an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the tract, the excess shall be borne solely by the Working Interest Owners of such Tract proportionately in proportion to their respective Tract Participations as Shown on Exhibit B-2. Adjustments under this Section 11.8 shall be made by charges and credits to the joint account.

## ARTICLE 12

### NONUNITIZED FORMATIONS

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals, from a formation underlying the Unit Area other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising

the right, however, such Working Interest Owner shall exercise care or cause care to be exercised to prevent unreasonable interference with Unit Operations. No Working Interest Owner other than Unit Operator, shall produce Unitized Substances. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances or enhanced recovery operations in the Unitized Formation will not be affected adversely.

## ARTICLE 13

### TITLES

13.1 Warranty and Indemnity. Each Working Interest Owner represents that it is the owner of the respective Working Interests set forth opposite its name in Exhibits B-1, B-2 and C, and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising because of Unit Operations in accordance with Section 14.2; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 a.m. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of a title failure.

13.2 Failure Because of Unit Operations. If, as a direct result of Unit Operations, title to any Working Interest in any Tract fails, including for reasons such as non-production from such Tract, such title failure shall not result in the change of the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

13.3 Individual Loss. Any Working Interest Owner, including Unit Operator in its capacity as a Working Interest Owner, whose title fails, for reasons other than as set forth in Section 14.2, shall alone bear the loss, and hereby expressly agrees to indemnify all other Working Interest Owners against any claim for damages arising from such failure which may be asserted against them. Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder, except failure that may be caused by or results from the gross negligence or willful misconduct of Unit Operator.



## ARTICLE 14

### LIABILITY, CLAIMS, AND SUITS

14.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 Settlements. Where insurance or self-insurance is not maintained as set forth in Exhibit E for the joint interest, the Unit Operator shall investigate, defend, settle or otherwise handle any injury or damage claim or suit (on the joint account) if the settlement expenditure does not exceed or is reasonably expected not to exceed one hundred thousand dollars (\$100,000.00) and if such payment is in complete settlement of the claim or suit. A settlement expenditure in excess of the above amount may be made only by approval of Working Interest Owners; and each Working Interest Owner shall have the right to participate through its own counsel at its own expense in the settlement, compromise or defense of any such claim or suit. Any expenditure incurred by Unit Operator in defending, compromising, settling or prosecuting any claims or suits, regardless of the settlement amount, shall be charged to the joint account, including charges for litigation services of Unit Operator's legal staff or fees or expenses of outside attorneys; however, no charge for services of Unit Operator's legal staff or fees or expenses of outside attorneys shall be made without prior approval of Working Interest Owners. If a claim is made against any Working Interest Owner in connection with a matter arising from Unit Operations or if any Working Interest Owner is sued in connection with any matter arising from Unit Operations over which such Working Interest Owner has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

14.3 Notice of Loss. Unit Operator shall report to Working Interest Owners as soon as practicable after each occurrence, damage or loss to Unit Equipment, and each accident, occurrence, claim, or suit involving third party bodily injury or property damage reasonably expected to exceed Fifty Thousand Dollars (\$50,000.00) and likely not covered by insurance carried for the benefit of Working Interest Owners.

14.4 Force Majeure. Any obligation imposed by this Agreement on each person or entity that is party hereto, except for the payment of money, shall be suspended while compliance therewith is prevented, in whole

or in part, by a strike, fire, war, civil disturbance, terrorist act, act of God; by Federal, state or municipal laws; by any rule, regulation or order of a governmental agency; by inability to secure material or by any other cause beyond the reasonable control of such person or entity. No person or entity that is party hereto shall be required against its will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any of the causes set forth in this Section.

## ARTICLE 15

### INTERNAL REVENUE PROVISION

15.1 Internal Revenue Provision. This Agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between the parties hereto. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this Agreement and operations hereunder shall not constitute a partnership, if for Federal income tax purposes, this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto elects to be excluded from the application of all the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code (the "Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Title 26, Chapter I, Section 1.761-1(a), et. seq. of the Code of Federal Regulations. Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state of New Mexico, or any future income tax law of the United States, contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each of the parties agrees to make such election as may be permitted or required by such laws. In making this election, each of the parties states that the income derived by such party from the operations under this Agreement can be adequately determined without the computation of partnership taxable income.

## ARTICLE 16

### NOTICES

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when hand-delivered by messenger service or sent by facsimile transmission to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4 hereof.

16.2 Notice of Transfer of Title. A Working Interest Owner transferring, assigning or conveying all or any part of its interest in and to its Oil and Gas Rights shall notify Unit Operator of such transfer, assignment or conveyance within thirty (30) days of the effective date of such transfer, assignment or conveyance. No change of title shall be binding upon the Unit or Unit Operator until the first day of the calendar month next succeeding the date of receipt by Unit Operator of evidence, satisfactory to Unit Operator, of such change of ownership. Each such transfer, assignment or conveyance, whether so stating or not, shall operate to impose upon the party or parties acquiring such interest the obligations of the predecessor in interest with respect to the interest so transferred and shall likewise operate to give and grant to the party or parties acquiring such interest all benefits attributable to such interest.

## ARTICLE 17

### WITHDRAWAL OF WORKING INTEREST OWNER

17.1 Withdrawal. A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw, all its Oil and Gas Rights, exclusive of Royalty Interests or mineral interests, together with its interest in all Unit Equipment and in all Unit Wells used in or committed to Unit Operations, provided that such transfer shall not relieve such transferring Working Interest Owner (i.e. the "transferor") from any obligation or liability incurred (including but not limited to any estimated cost to remediate an environmental condition which exists on the property prior to such withdrawal) prior to the first day of the month following receipt by Unit Operator of a copy of such executed instrument of transfer. The delivery of the transfer shall be made to Unit Operator for the Working Interest Owners who do not desire to withdraw (i.e., the "transferees"). The transferred interest shall be owned by the transferees in proportion to their respective Unit Participations in effect at the time of the transfer. The transferees, in proportion to the respective interests so acquired, shall pay the transferor for its

interest in Unit Equipment, as such shall be calculated as the salvage value thereof less its share of the estimated cost of salvaging same and of plugging and abandoning Unit Wells then being used or held for Unit Operations as determined by Working Interest Owners. In the event such withdrawing Working Interest Owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing Working Interest Owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the copy of the executed instrument of transfer, Unit Operator shall render a final statement to the withdrawing Working Interest Owner for its share of Unit Expense, including any deficiency in salvage value, as determined by Working Interest Owners, incurred as of the first day of the month following the date of Unit Operator's receipt of the copy of the executed instrument of transfer. Provided all Unit Expenses, including any deficiency amounts described under this Section 17.1, due from the withdrawing Working Interest Owner has been paid in full within thirty (30) days after the rendering of such final statement by the Unit Operator, the transfer shall be effective the first day of the month following its receipt by Unit Operator. Except as otherwise provided herein, as of the effective date of transfer hereunder, the withdrawing Working Interest Owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred. Upon the effective date of transfer, the Unit Participations of the transferees shall be revised to reflect the increase in their shares resulting from the transferred interest.

17.2 Limitation on Withdrawal. Notwithstanding anything to the contrary set forth in Section 17.1, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if such party's Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-eighth (1/8) lessor's royalty, unless one or more of the other Working Interest Owners voluntarily accepts assignment of the Working Interest subject to such burdens. Such Working Interest Owners which voluntarily accept such an assignment, if any, will own the transferred interest in proportion to their respective Phase II Unit Participations. Upon the effective date of transfer, if any, the Unit Participations of the transferees shall be revised to reflect the increase in their shares resulting from the transferred interest.

## ARTICLE 18

### ABANDONMENT OF WELLS

18.1 Rights of Former Owners. If Working Interest Owners decide to abandon permanently any Unit Well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract or which the Unit Well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the Unit Well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well (at which time such well will no longer be considered to be a Unit Well), they shall pay Unit Operator, for credit to the account of all Working Interest Owners, the amount determined by Working Interest Owners to be the value of the salvageable casing and equipment in and on the well up to and including the wellhead equipment, except casing therein if contributed by such Working Interest Owners under Section 10.1.1, less the amount determined by Working Interest Owners to be the cost of salvaging and plugging and abandoning. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the Unitized Formation in a manner satisfactory to Working Interest Owners, and upon abandonment to plug the well in compliance with applicable laws and regulations. Upon taking over any Unit Well in accordance with this Section 18.1, any such Working Interest Owners shall conduct no further operations in the Unitized Formation, except for the plugging and abandonment described herein.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a Unit Well located within the Unit Area that is proposed for abandonment, Unit Operator shall, on behalf of the Working Interest Owners, plug and abandon the well in compliance with applicable laws and regulations.

## ARTICLE 19

### EFFECTIVE DATE AND TERM

19.1 Effective Date. This Agreement shall become effective when the Unit Agreement becomes effective.

19.2 Term. This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit Wells have been plugged and abandoned or turned over to Working Interest

Owners in accordance with Article 20 (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and (c) there has been a final accounting.

## ARTICLE 20

### ABANDONMENT OF OPERATIONS

20.1 Termination. Upon termination of the Unit Agreement, the following will occur:

20.1.1 Oil and Gas Rights. The Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

20.1.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the amount determined by Working Interest Owners to be the value of the salvageable casing and equipment up to and including the wellhead equipment in and on the wells taken over, except casing therein if contributed by such Working Interest Owners under Section 10.1.1., less the amount determined by Working Interest Owners to be the cost of salvaging and plugging and abandoning, and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

20.1.3 Salvaging Wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

20.1.4 Cost of Abandonment. The cost of abandonment of Unit Operations shall be Unit Expense.

20.1.5 Distribution of Assets. Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Phase II Unit Participations.

## ARTICLE 21

### LAWS, REGULATIONS AND CERTIFICATE OF COMPLIANCE

21.1 Laws and Regulations. This Agreement and operations hereunder are subject to all valid rules, regulations and orders of all regulatory bodies having jurisdiction and to all other applicable federal, state and local laws, ordinances, rules, regulations and orders; and any provision of this Agreement found to be contrary to or inconsistent with any such law, ordinance, rule, regulation or order shall be deemed modified accordingly.

21.2 Certificate of Compliance. In the performance of work under this Agreement, the parties agree to comply with, and Unit Operator shall require each independent contractor to comply with, the Federal contract provisions of Exhibit "H".

## ARTICLE 22

### EXECUTION

22.1 Original, Counterpart, or Other Instrument. An owner of a Working Interest may become a party to this Agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof; provided, however, that any party executing this Agreement must simultaneously execute the Unit Agreement or a counterpart thereof. The signing of any such instrument shall have the same effect as if all parties had signed the same instrument.

## ARTICLE 23

### SUCCESSORS AND ASSIGNS

23.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases and interests covered hereby.

## ARTICLE 24

### GAS BALANCING

24.1 Gas Balancing. In the event one (1) or more Working Interest Owners' separate disposition of its share of gas causes deliveries to separate pipelines or deliveries which on a day-to-day basis for any reason are not exactly equal to a Working Interest Owner's respective proportionate share of total gas sales to be allocated

to it, the balancing or accounting between the respective accounts of the Working Interest Owners shall be in accordance with Exhibit F, which shall prevail in the event of a conflict between the Unit Operating Agreement and Exhibit F.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the dates evidenced by their respective certificates of acknowledgment hereof.

UNIT OPERATOR  
APACHE CORPORATION

By: John Swain

John Swain  
Attorney-In-Fact  
Central Region

*MS*

Address:

6120 South Yale, #1500  
Tulsa, Oklahoma 74136-4224

WORKING INTEREST OWNERS

BP AMERICA PRODUCTION COMPANY

\_\_\_\_\_  
CHEVRON U.S.A. INC.

\_\_\_\_\_  
JOHN P. SEARLS

\_\_\_\_\_  
LINDA SEARLS NEIDERT



**SIX AECHES COMPANY**

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**SUSAN SEARLS COLLIER**

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**CAMPBELL ESTATE PARTNERSHIP  
AUSTEN S. CAMPBELL, GENERAL PARTNER**

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**OSADO OIL & GAS, LTD.  
A TEXAS LIMITED PARTNERSHIP**

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**ELLIOTT-HALL COMPANY  
LIMITED PARTNERSHIP**

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**ELLIOTT INDUSTRIES LIMITED  
PARTNERSHIP**

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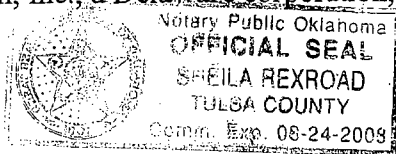
**GEODYNE NOMINEE CORPORATION**

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STATE OF OKLAHOMA §  
COUNTY OF TULSA §

This instrument was acknowledged before me on 2/13/08 by John Swain, Attorney In Fact for Apache Corporation, Inc., a Delaware corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_



Sheila Rexroad  
Notary Public in and for said  
County and State

STATE OF §  
COUNTY OF §

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_, as  
\_\_\_\_\_ of BP America Production Company.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF §  
COUNTY OF §

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_, as  
\_\_\_\_\_ of Chevron U.S.A. Inc.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF §  
COUNTY OF §

This instrument was acknowledged before me on \_\_\_\_\_ by John P. Searls.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by Linda Searls Neidert.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_ as  
\_\_\_\_\_ of Six Aeches Company.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by Susan Searls Collier.

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by Campbell Estate Partnership, Austen S. Campbell, General Partner

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by Osado Oil & Gas, Ltd, A Texas Limited Partnership

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_, of Elliott Industries Limited Partnership.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_, as  
\_\_\_\_\_ of Elliott -Hall Company, a Limited Partnership, on behalf of said partnership.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for said  
County and State

STATE OF

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COUNTY OF

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This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_ as  
\_\_\_\_\_ of Geodyne Nominee Corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

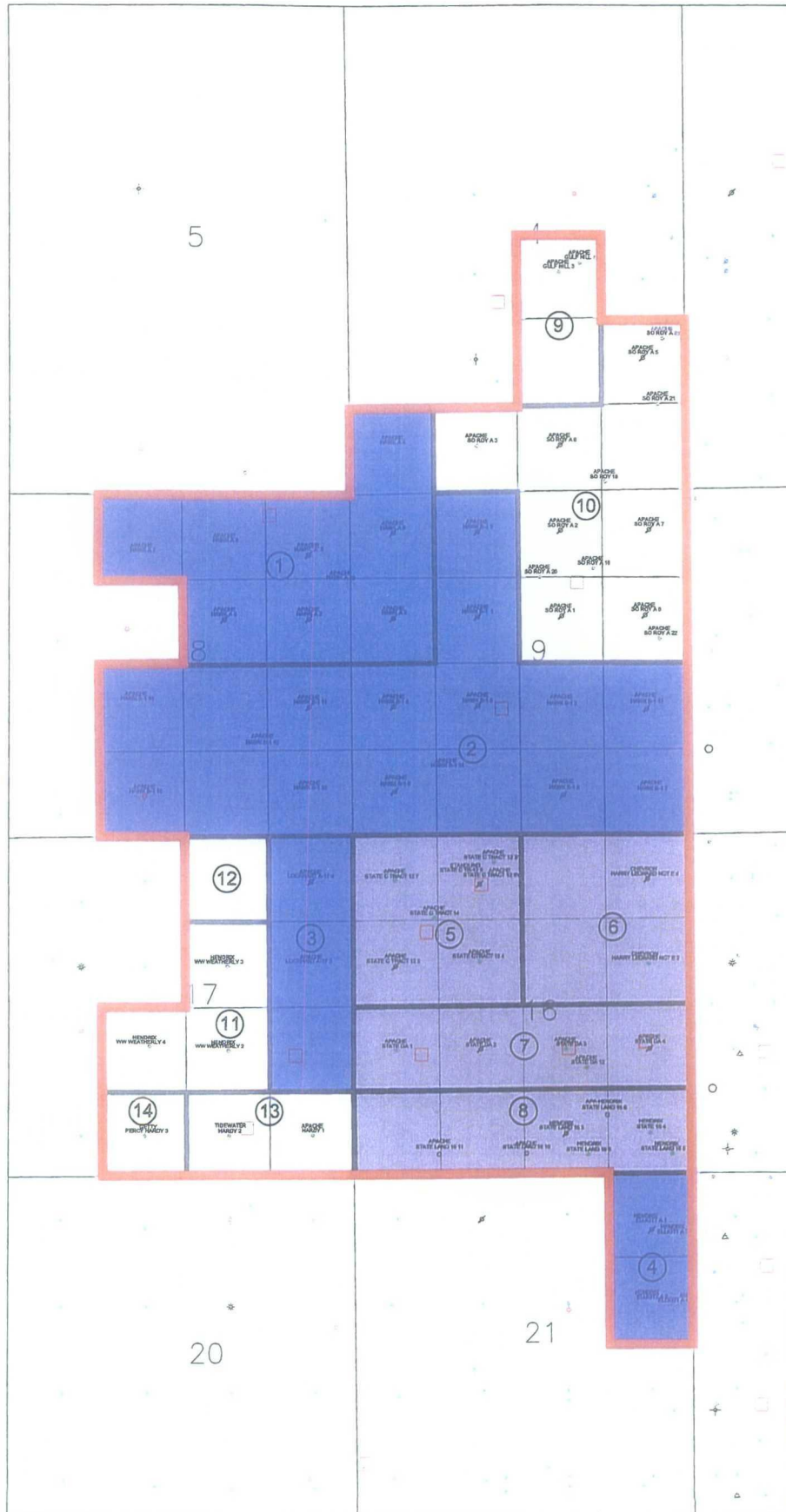
\_\_\_\_\_  
Notary Public in and for said  
County and State

TOWNSHIP 21S, RANGE 37E, N.M.P.M.

EXHIBIT A

WEST BLINEBRY DRINKARD UNIT  
LEA COUNTY, NEW MEXICO

APACHE CORP., OPERATOR



LEGEND

⑪ UNIT TRACT NUMBER

- FEDERAL LANDS
- PATENTED (FEE) LANDS
- STATE
- TANK BATTERY

	ACREAGE	PERCENTAGE
FEDERAL	1160.00	46.77
PATENTED (FEE)	680.00	27.42
STATE	640.00	25.81
TOTALS	2480.00	100%



## EXHIBIT "B-1"

Attached to Unit Operating Agreement  
WEST BLINEBRY DRINKARD UNIT  
Lea County, New Mexico  
December 1, 2007

TRACT NO:	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
1	T21S-R37E, NMPM Section 4 SW/4 SW/4	320	NMLC-031741-A HBP 1/1/1958	USA 12.5% to 25% SCH C	Apache Corporation 50.00% BP America Production Company 25.00% Chevron U.S.A., Inc. 25.00% <u>100.00%</u>	Apache Corporation 0.201480% Ann E. Perkins 0.031250% Betty Kyte Dreessen Irrev. Trust 0.960000% Boys Club of America 0.100000% Cecile Marie Dreessen 0.180000% Charles H. Coll 0.250000% Charles R. Hawk 0.322368% Chosen People Ministries Inc. 0.003290% Clarke C. Coll 0.112500% Cecil Bond Kyte, Trustee of the David Bond Kyte 1997 Trst 0.562500% David McIntosh 0.003290% Diana J. Solarski 0.003290%	Apache Corporation 50.00% BP America Production Company 25.00% Chevron U.S.A., Inc. 25.00% <u>100.00%</u>
	T21S-R37E, NMPM Section 8 NE/4 NW/4, NE/4						
	T21S-R37E, NMPM Section 9 W/2 NW/4						
	(Hawk 'A')						

FEDERAL LANDS:

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
					Edward T. Dreessen, Jr. 0.180000%		
					Elks National Foundation 0.100000%		
					Ellen Higley 0.033928%		
					Elliott Industries 0.250000%		
					Elliott-Hall Co. 0.250000%		
					Eric J. Coll 0.112500%		
					Floyd J. & Doris C. Sutton Rev. Living Trst. 0.011309%		
					Forest Home Inc. 0.003290%		
					Gerald Dale Higley 0.042857%		
					Jhawk Ptnshp. 0.166667%		
					Hazel K. Shoemaker 0.003290%		
					Hien Thi Ngo Nguyen 0.003290%		
					Ingrid Dreessen Powell 0.180000%		
					James C. Underwood 0.031250%		
					Jon F. Coll 0.250000%		
					Jon F. Coll II 0.017850%		
					Kathryn Ann Price 0.002381%		



TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
						Margaret F. Emery 0.011309%	
						Margaret Peabody 0.038095%	
						Max Coll II 0.150000%	
						Max W. Coll III 0.003575%	
						Melanie Coll De Tempe 0.003575%	
						Molly Michele Azopardi 0.166667%	
						Allie M. Lee Trust 0.375000%	
						New Mexico Boys & Girls Ranches Inc. 0.100000%	
						Perry H. Underwood 0.031250%	
						R. Jane Eppes 0.031250%	
						Raymond Foster Rev. Living Trust 0.792072%	
						Leonard Trust 0.166667%	
						Robert Knight 0.003290%	
						Roberta Buckelew 0.003290%	
						Sabine Royalty Trust 0.687500%	
						Sally Rodgers 0.100000%	

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
					Bishop Wipple Schools 0.100000% Shriner's Hospital for Children 0.125000% Stanley White 0.003290% The Hawk Trust 0.125000% Thomas Carlton Higley 0.038095% Timothy Leonard 0.166667% University of New Mexico Regents 0.100000% Wilbur C. Higley, Jr. 0.011309%		
						<b>Total -</b> <b>7.70148%</b>	
2	T21S-R37E, NMMPM Section 8: E/2 SW/4, SE/4	640	NMNM-90161 HBP 3/1/1958	USA 12.5% Sliding Scale SCH D	Apache Corporation 50.00% BP America Production Company 25.00% Chevron U.S.A., Inc. 25.00%	Apache Corporation 50.00% BP America Production Company 25.00% Chevron U.S.A., Inc. 25.00%	
	T21S-R37E, NMMPM Section 9: E/2 NW/4, S/2 (Hawk 'B-1')						
	<b>Tract 2</b> ----- 640 net acres or 25.81% of Unit (surface) area						

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
3	T21S-R37E, NMPM Section 17: E/2 NE/4, NE/4 SE/4 (Lockhart 'A-17')	120	NMLC-032096-A HBP 10/1/1957	USA 12.5% to 25% SCH C	Apache Corporation 50.00% BP America Production Company 25.00% Chevron U.S.A., Inc. 25.00% <b>100.00%</b>	Apache Corp 0.206250% Arthur M. Lockhart Family Trust 5.000000% Peter & Janet Elliott 0.833330% Melinda Ann Elliott 0.833330% Jeffrey Mills Elliott 0.833340% <b>7.706250%</b>	Apache Corporation 75.00% Chevron U.S.A., Inc. 25.00% <b>100.00%</b>
<b>Tract 3 ----- 120 net acres or 4.84% of Unit (surface) area</b>				<b>Total -</b>			
4	T21S-R37E, NMPM Section 21: E/2 NE/4 (Elliott 'A')	80	NMLC-032591A HBP 9/1/1959	USA 12.5% to 25% SCH C	Elliott-Hall Company Ltd. Partnership 25.00% Elliott Industries Ltd Partnership 25.00% Apache Corporation 50.00% <b>100.00%</b>	Elliott-Hall Co. Ltd. Partnership 0.6250% Elliott Industries Ltd. Partnership 0.6250% New Mexico Boys & Girls Ranch Inc. 0.10000% Molly M. Azopardi 0.16666% Boys & Girls Clubs of America 0.10000% Elks National Foundation 0.10000% Timothy T. Leonard 0.16667% The Leonard Trust 0.16667%	Elliott-Hall Company Ltd. Partnership 25.00% Elliott Industries Ltd Partnership 25.00% Apache Corporation 50.00% <b>100.00%</b>

## WORKING

e Corporation

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
6	T21S-R37E, NMPM Section 16: NE/4 (Leonard 'E')	160	B-1732-1 2/28/1933	STATE 12.500000%	Chevron U.S.A., Inc. 100.00%		Chevron U.S.A, Inc. 100.00%
<b>Tract 6</b> ----- 160 net acres or 6.45% of Unit (surface) area							
7	T21S-R37E, NMPM Section 16: N/2 S/2 (State 'DA')	160	B-85-16 HBP 7/28/1928	STATE 12.500000%	Apache Corporation 100.00%		Apache Corporation 100.00%
<b>Tract 7</b> ----- 160 net acres or 6.45% of Unit (surface) area							
8	T21S-R37E, NMPM Section 16: S/2 S/2 (State Land 15)	160	B-8105-4 4/10/1939	STATE 12.500000%	Apache Corporation 100.00%	Daniel L Veirs 0.968750% Diane Patrick Tipton 0.968750% <b>1.937500%</b>	Apache Corporation 100.00%
<b>Tract 8</b> ----- 160.0 net acres or 6.45% of Unit (surface) area							
<b>TOTAL STATE</b>				<b>= 640 ACRES OR 25.81%</b>			

**FEE LANDS:**

9	T21S-R37E, NMPM Section 4: LOT 15, NW/4 SE/4 (Gulf Hill)	80	Fee Lease HBP 11/6/1944	Kerry Porter 2.990300% Georgia Hahn 6.250000% George Elmer Goins 3.259700% <b>12.50%</b>	Apache Corporation 100.00%	Daniel L Veirs 0.500000% Gunsmoke Energy Co. 2.730000% <b>3.23%</b>	Apache Corporation 100.00%
<b>Tract 9</b> ----- 80.0 net acres or 3.23% of Unit (surface) area				<b>Total -</b>			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
10	T21S-R37E, NMPM Section 4: NE/4 SE/4, S/2 SE/4, SE/4 SW/4	320	Fee Lease HBP 9/22/1942 (5)	Apache Corporation 1.171880% Gene & Clebbie Duke Rev. Living Trust dtd 1/14/04 0.781250% Burlington Resources Oil & Gas Company 1.562500% J.L. Burke III 0.139160% Marilyn Burke Salter 0.139160% Beverly B. Strohl 0.139160% Nancy Farmer 0.139160% Jack Markham 0.483630% John Redfern III 0.075960% Katherine A. Keck 0.195310% The National Regulatory 0.027830% Herd Partners Ltd. 0.195310% Waikiki Partners LP 0.075960% Montgomery Petroleum Inc. 0.056962% Ronald O. Holman 0.018988% Clarence Richard Markham 0.013950% Donald Marshall Markham Family 0.013950% Bill J. Markham Estate Trust 0.055800% Albert D. White, Jr. 0.027900%	Apache Corporation 100.00%		Apache Corporation 100.00%
	T21S-R37E, NMPM Section 9: NE/4						
	(Southland Royalty 'A')						

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Anna Bess Calfin 0.488290% College of the Southwest 0.027840% C.B. Jr. Markham Estate Trust 0.027900% Helen M. Owens 0.573730% Hershel T. & Judy B. Owens 0.573730% James M. Owens 0.573730% Lana Owens 0.695800% Southwestern Baptist 0.027830% Texas Tech. Univ. 0.027830% West Texas State University 0.027830% Tony G. & Laurie A. Knot 0.573730% William Ray Proctor 0.013950% James Russell Proctor 0.013950% Julia Benham Testamentary Trust 0.695800% Fairway Oil & Gas Co. 0.227860% Betty Owens Dolph 0.683600% Eldon K. & Ruedeale S. Turner 0.781250%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				NM O&G Ltd. Jim Cone Gen. Ptn. 0.455730% Janet E. Carter 0.695800% <b>Total -</b> <b>12.500000%</b>			
	<b>Tract 10 ----- 320.0 net acres or 12.90% of Unit (surface) area</b>						
11	T21S-R37E, NMPM Section 17: SW/4 NE/4, NE/4 SW/4, NW/4 SE/4 (W. W. Weatherly)	120	Fee Lease HBP 5/18/1926	Allison Songer 0.008681% Bart Lee Bratcher 0.078125% Bill B. Bratcher 0.078125% Billie Brenda LeBlanc 0.078125% Billie June Gilmore C/O Diana L. Sheffield 0.390600% Bobbie Glenda Flenniken 0.078125% BP America Production Company 2.343700% Buttram Energies Inc. 2.625000% Carl D. Ganz, Jr. C/O Joan Miller Ganz 0.031250% Carol M. Bros 0.039100% Carole N. Watson 0.156200% Catherine Roach Trst. C/O JPMorgan Chase Bank NA 0.250000% Cathy Ganz Johnsen C/O Joan Miller Ganz 0.031250% Daniel Coder 0.019550%	Apache Corporation 100.00%	Daniel Veirs Profit Sharing Plan 0.968750% Diane Patrick Tipton Profit Sharing Plan 0.968750% <b>1.937500%</b>	Apache Corporation 100.00%



TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Devon Energy Prod. Company Inc.			1.562500%			
	Emily Berglund Johnson			0.039100%			
	Glen E. Farmer			0.039100%			
	Helen R. Gentry			0.039100%			
	Ida Miller Estate,						
	Joan Miller Ganz &						
	John W. Lyttle Jr.			0.025000%			
	James H. Webber			0.117200%			
	Joann P. Kruckeberg			0.019550%			
	John P. Brunkow			0.019500%			
	Joshua Songer			0.008681%			
	June D. Speight			0.390600%			
	Katherine L. Meier			0.039100%			
	Lanelle Dahnke Clements			0.312500%			
	Lorraine S. Black						
	Trust, B. Robert K. Black, Trustee			0.520800%			
	Mark Flenniken			0.156250%			
	Mary Duke						
	Pearlbrook Est., Joan Miller Ganz & John W. Lyttle, Jr.			0.162500%			
	Merco of Oklahoma, Inc.			0.334800%			
	Michael P. Coder			0.058650%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Michelle Songer Spence						
	0.008681%						
	Noble E. Flenniken						
	0.781200%						
	Ralph J. Preston						
	0.039100%						
	Richard B. Langer						
	0.019550%						
	Richard B. Lindberg & Claudia K. Lindberg						
	0.039100%						
	Robert W. Peters						
	0.019550%						
	Samuel A. Schrader, Jr. Estate, Jane Hayes Schrader						
	0.260400%						
	Susan Biorkman						
	0.156250%						
	Suzan Fannin						
	0.156250%						
	Thomas A. Clure						
	0.039000%						
	Thomas C. Brunkow						
	0.019500%						
	Tommye Glenn Flenniken						
	0.156250%						
	Dana Collins						
	Neugebauer						
	0.026042%						
	Faye Collins						
	Dunavant						
	0.078125%						
	James M. Collins						
	0.078125%						
	Jones-Daube Mineral Company						
	0.446400%						
	Myles Lyndon Collins II						
	0.026042%						
	Nancy Collins Thetford						
	0.078125%						

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Silverado Oil & Gas Ltd. Partnership 0.019550%			
			Total-	12.50000%			
	Tract 11 ----- 120.0 net acres or 4.84% of Unit (surface) area						
12	T21S-R37E, N1/4 Section 17: NW/4 NE/4  (W.W. Weatherly #1)	40	Fee Lease HBP 5/18/1926	Allison Songer 0.008681% Bart Lee Bratcher 0.078125% Bill B. Bratcher 0.078125% Billie Brenda LeBlanc 0.078125% Billie June Gilmore C/O Diana L. Sheffield 0.390600% Bobbie Glenda Flenniken 0.078125% BP America Production Company 2.343700% Buttram Energies Inc. 2.625000% Carl D. Ganz, Jr. C/O Joan Miller Ganz 0.031250% Carol M. Bros 0.039100% Carole N. Watson 0.156200% Catherine Roach Trst. C/O JPMorgan Chase Bank NA 0.250000% Cathy Ganz Johnsen C/O Joan Miller Ganz 0.031250% Daniel Coder 0.019550%	Six Aeches Comp. 37.50% Osado Oil & Gas, Ltd. A Texas Limited Partnership 20.31250% Campbell Estate Partnership Austen S. Campbell General Partner 14.06250% John P. Searls 11.71875% Susan Searls Collier 11.71875% Linda Searls Neidert 4.68750% 100.00%	*Apache Corporation 12.50%	Six Aeches Comp. 37.50% Osado Oil & Gas, Ltd. A Texas Ltd. Partnership 20.31250% Campbell Estate Partnership Austen S. Campbell General Partner 14.06270% John P. Searls 11.71875% Susan Searls Collier 11.71875% Linda Searls Neidert 4.68750% 100.00%

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Devon Energy Prod. Company Inc.			1.562500%			
	Emily Berglund Johnson			0.039100%			
	Glen E. Farmer			0.039100%			
	Helen R. Gentry			0.039100%			
	Ida Miller Estate, Joan Miller Ganz & John W. Lyttle Jr.			0.025000%			
	James H. Webber			0.117200%			
	Joann P. Kruckeberg			0.019550%			
	John P. Brunkow			0.019500%			
	Joshua Songer			0.008681%			
	June D. Speight			0.390600%			
	Katherine L. Meier			0.039100%			
	Lanelle Dahnke Clements			0.312500%			
	Lorraine S. Black Trust, B. Robert K. Black, Trustee			0.520800%			
	Mark Flenniken			0.156250%			
	Mary Duke Pearbrook Est., Joan Miller Ganz & John W. Lyttle, Jr.			0.162500%			
	Merco of Oklahoma, Inc.			0.334800%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Michael P. Coder 0.058650%						
	Michelle Songer Spence 0.008681%						
	Noble E. Flenniken 0.781200%						
	Ralph J. Preston 0.039100%						
	Richard B. Langer 0.019550%						
	Richard B. Lindberg & Claudia K. Lindberg 0.039100%						
	Robert W. Peters 0.019550%						
	Samuel A. Schrader, Jr. Estate, Jane Hayes Schrader 0.260400%						
	Susan Biorkman 0.156250%						
	Suzan Fannin 0.156250%						
	Thomas A. Clure 0.039000%						
	Thomas C. Brunkow 0.019500%						
	Tommye Glenn Flenniken 0.156250%						
	Dana Collins Neugebauer 0.026042%						
	Faye Collins Dunavant 0.078125%						
	James M. Collins 0.078125%						
	Jones-Daube Mineral Company 0.446400%						
	Myles Lyndon Collins II 0.026042%						

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Nancy Collins Theftford 0.078125% Silverado Oil & Gas Ltd. Partnership 0.019550%			
				<b>Total-</b>	<b>12.500000%</b>		
	<p><b>Tract 12</b> ----- 40.0 net acres or 1.61% of Unit (surface) area</p> <p>* This tract has an 1/8 ORRI on all oil produced and saved from the premises, provided, however, that if production of oil from all wells on said tract shall average less than fifty (50) barrels per well per day for any calander month, the ORRI on oil produced during said month shall be decreased to 1/16 ORRI; and an 1/8 ORRI on gas.</p>						
13 A	T21S-R37E, NMPM Section 17: S/2 SE/4	80	Fee Lease HBP 12/22/1944 Fee Lease HBP 7/9/1945 (2) Fee Lease HBP 12/10/1946 (2) Fee Lease HBP 12/20/1946 Fee Lease HBP 1/10/1947 Fee Lease HBP 1/16/1947 Fee Lease HBP 1/21/1947 Fee Lease HBP 2/10/1947 Fee Lease HBP 12/19/2003	A L Cone Partnership 0.781250% Allie M Lee Trust 2.105710% Anita M Mebane 0.173620% Apache Corporation 2.500000% Auvenshine Children's Testament 0.039060% Barbara Stock 0.130200% Bradford Ace Christmas 0.091250% Candy Christmas 0.091250% Cathie McCown 0.039060% Debra Lowe Finn 0.097660% Dion Lowe 0.097660% Dwain R Kite Estate 0.173614% Elliott Industries 0.280760% Elliott-Hall Co 0.280760%	Apache Corporation 100.00%	Debra Lowe Finn 0.0427230% Dion Lowe 0.042724% Fairway Oil & Gas Company 0.638460% H L Lowe Trust F/B/O Haley Lowe 0.014240% Herd Partners LTD 0.060170% Jack Markham 1.337080% John Redfern III 0.212810% Katherine A Keck 0.039060% Kay Lowe Atcheson 0.028490% Kelly Lowe Read 0.003560% Larry K Lowe 0.042725%	Apache Corporation 100.00%

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Elyse S. Patterson Trust Inv LLC			0.311960%	Lauren Lowe Matthews		
	H L Lowe Trust			F/B/O Haley Lowe 0.032550%	Loretta D Lowe 0.042723%		
	Helen Jane Christmas Barbby			0.091250%	Marjorie Alice Kastman		
	Hinkle Investment Co			0.093590%	Montgomery Petroleum Inc		
	Hollis W. Grant			0.130208%	0.159600%		
	Ila Jayne Clark			0.781250%	NM O&G LTD 1.337080%		
	Jack D Knox			0.065104%	Robert T Hartley 0.042725%		
	Joyce Ann Brown			0.196530%	Ronald O Holman		
	June D Speight			1.250000%	0.053200%		
	Katherine A Keck			0.065104%	Ronny P Lowe 0.028480%		
	Kay Lowe Atcheson			0.065104%	S E Cone JR 0.039060%		
	Kelly Lowe Read			0.016275%	Shana Lowe Conine 0.042724%		
	Kenneth G Cone			0.039060%	Teddy L Hartley 0.042724%		
	Kenneth G Cone Trustee			0.039060%	Vivian Lowe Anselmi 0.028480%		
	Larry K Lowe			0.0976600%	Waikiki Partners LP 0.212810%		
	Lauren Lowe			Matthews	<b>TOTAL -</b>	<b>4.555628%</b>	
	Loretta D Lowe			0.097660%			
	Marilyn Hanson			0.023400%			
	Marjorie Alice Kastman			0.065104%			
	Marjorie Jean Nagle			0.023400%			
	Mary Jane Andrews			0.023400%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Mary T Christmas Holladay			0.091250%			
	Milward Kent Miller			0.023400%			
	Opal Denson			0.173610%			
	Pogo Producing Company			1.171880%			
	Randy Lee Cone			0.013020%			
	Robert T Hartley			0.097660%			
	Ronny P Lowe			0.06510400%			
	S E Cone JR			0.065104%			
	Sabine Royalty Trust			1.171880%			
	Shana Lowe Conine			0.097660%			
	Shriners Hospitals for Children			0.701904%			
	Sue Saunders Graham			0.311960%			
	Teddy L Hartley			0.097660%			
	Texacal Oil and Gas Inc			0.065104%			
	The Long Trusts			0.156250%			
	The Toles Company			0.311960%			
	Therylene Knox Helm			0.065104%			
	Tom Cone			0.026040%			
	Childrens Trust			0.039060%			
	Tom R Cone						



TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Vivian Lowe Anselmi 0.065104% Winnie Dill Knox 0.195310% <b>15.444372%</b>			
			<b>TOTAL-</b>				
13 B	T-21S-R37E, NMPPM Section 17: S/2 SE/4			A L Cone Partnership 0.781250% Allie M Lee Trust 2.105710% Anita M Mebane 0.173620% Apache Corporation 1.500000% Auvenshine Childrens Testament 0.039060% Barbara Stock 0.130200% Bradford Ace Christmas 0.091250% Candy Christmas 0.091250% Cathie McCown 0.039060% Debra Lowe Finn 0.097660% Dion Lowe 0.097660% Dwain R Kite Estate 0.173614% Elliott Industries 0.280760% Elliott-Hall Co 0.280760% Elyse S. Patterson Trust Inv LLC 0.311960% H L Lowe Trust F/B/O Haley Lowe 0.032550%	Apache Corporation 100.00%	Debra Lowe Finn 0.0427230% Dion Lowe 0.042724% Fairway Oil & Gas Company 0.638460% H L Lowe Trust F/B/O Haley Lowe 0.014240% Herd Partners LTD 0.060170% Jack Markham 1.337080% John Redfern III 0.212810% Katherine A Keck 0.039060% Kay Lowe Atcheson 0.028490% Kelly Lowe Read 0.003560% Larry K Lowe 0.042725% Laurie Lowe Matthews 0.024920% Loretta D Lowe 0.042723% Marjorie Alice Kastman 0.039060%	Apache Corporation 100.00%

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Helen Jane		Montgomery	
				Christmas Barby		Petroleum Inc	
				0.091250%		0.159600%	
				Hinkle Investment Co		NM O&G LTD	
				0.093590%		1.337080%	
				Hollis W. Grant		Robert T Hartley	
				0.130208%		0.042725%	
				Ila Jayne Clark		Ronald O	
				0.781250%		Holman	
				Jack D Knox		0.053200%	
				0.065104%		Ronny P Lowe	
				Joyce Ann Brown		0.028480%	
				0.196530%		S E Cone JR	
				June D Speight		0.039060%	
				1.250000%		Shana Lowe	
				Katherine A Keck		Conine	
				0.065104%		0.042724%	
				Kay Lowe Atcheson		Teddy L Hartley	
				0.065104%		0.042724%	
				Kelly Lowe Read		Vivian Lowe	
				0.016275%		Anselmi	
				Kenneth G Cone		0.028480%	
				0.039060%		Waikiki Partners	
				Kenneth G		LP	
				Cone Trustee		0.212810%	
				0.039060%		<b>4.555628%</b>	
				Larry K Lowe			
				0.0976600%			
				Lauren Lowe			
				Mathews			
				0.048825%			
				Loretta D Lowe			
				0.097660%			
				Marilyn Hanson			
				0.023400%			
				Marjorie Alice			
				Kastman			
				0.065104%			
				Marjorie Jean Nagle			
				0.023400%			
				Mary Jane Andrews			
				0.023400%			
				Mary T Christmas			
				Holladay			
				0.091250%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Milward Kent Miller			0.023400%			
	Opal Denson			0.173610%			
	Pogo Producing Company			1.171880%			
	Randy Lee Cone			0.013020%			
	Robert T Hartley			0.097660%			
	Ronny P Lowe			0.06510400%			
	S E Cone JR			0.065104%			
	Sabine Royalty Trust			1.171880%			
	Shana Lowe Conine			0.097660%			
	Shriners Hospitals for Children			0.701904%			
	Sue Saunders			Graham			
	Teddy L Hartley			0.311960%			
	Texacal Oil and Gas Inc			0.097660%			
	The Long Trusts			0.065104%			
	The Toles Company			0.156250%			
	Therylene Knox Helm			0.311960%			
	Tom Cone			0.065104%			
	Childrens Trust			0.026040%			
	Tom R Cone			0.039060%			
	Vivian Lowe Anselmi			0.065104%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Winnie Dill Knox 0.195310% Daniel L. Veirs 0.062500% <b>Total - 14.506872%</b>			
<b>Tract 13 ----- 80.0 net acres or 3.23% of Unit (surface) area</b>							
14A	T21S-R37E, NMPPM Section 17: SE/4 SW/4	40	Fee Lease HBP 12/22/1944 Fee Lease HBP 7/9/1945 (2) Fee Lease HBP 12/10/1946 (2) Fee Lease HBP 12/20/1946 Fee Lease HBP 1/10/1947 Fee Lease HBP 1/16/1947 Fee Lease HBP 1/21/1947 Fee Lease HBP 2/10/1947	A L Cone Partnership 0.781250% Allie M Lee Trust 2.105710% Anita M Mebane 0.173620% Apache Corporation 1.500000% Auvenshine Childrens Testament 0.039060% Barbara Stock 0.130200% Bradford Ace Christmas 0.091250% Candy Christmas 0.091250% Cathie McCown 0.039060% Debra Lowe Finn 0.097660% Dion Lowe 0.097660% Dwain R Kite Estate 0.173614% Elliott Industries 0.280760% Elliott-Hall Co 0.280760% Elyse S. Patterson Trust Inv LLC 0.311960% H L Lowe Trust F/B/O Haley Lowe 0.032550%	Apache Corporation 87.50% Geodyne Nominee Corporation 12.50% <b>100.00%</b>	Daniel L. Veirs 1.12% Debra Lowe Finn 0.0427230% Dion Lowe 0.042724% Fairway Oil & Gas Company 0.638460% H L Lowe Trust F/B/O Haley Lowe 0.014240% Herd Partners LTD 0.060170% Jack Markham 1.337080% John Redfern III 0.212810% Katherine A Keck 0.039060% Kay Lowe Atcheson 0.028490% Kelly Lowe Read 0.003560% Larry K Lowe 0.042725% Lauren Lowe Matthews 0.024920% Loretta D Lowe 0.042723%	Apache Corporation 87.50% Geodyne Nominee Corporation 12.50% <b>100.00%</b>
	Percy Hardy (Blinebry/Tubb/Drinkard)						

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Helen Jane			Marjorie Alice			
	Christmas Barbby			Kastman			
	0.091250%			0.039060%			
	Hinkle Investment Co			Montgomery			
	0.093590%			Petroleum Inc			
	Hollis W. Grant			0.159600%			
	0.130208%			NM O&G LTD			
	Ila Jayne Clark			1.337080%			
	0.781250%			Robert T Hartley			
	Jack D Knox			0.042725%			
	0.065104%			Ronald O Holman			
	Joyce Ann Brown			0.053200%			
	0.196530%			Ronny P Lowe			
	June D Speight			0.028480%			
	1.250000%			S E Cone JR			
	Katherine A Keck			0.039060%			
	0.065104%			Shana Lowe Conine			
	Kay Lowe Atcheson			0.042724%			
	0.065104%			Teddy L Hartley			
	Kelly Lowe Read			0.042724%			
	0.016275%			Vivian Lowe Anselmi			
	Kenneth G Cone			0.028480%			
	0.039060%			Waikiki Partners LP			
	Kenneth G Cone Trustee			0.212810%			
	0.039060%			Avalanche			
	Larry K Lowe			Royalty			
	0.0976600%			Partners LLC			
	Lauren Lowe			4.375000%			
	Matthews			Noddi Company			
	0.048825%			0.212810%			
	Loretta D Lowe			Sandra Cone Huneke			
	0.097660%			0.046794%			
	Marilyn Hanson			Sharon Cone Porter			
	0.023400%			0.00046973			
	Marjorie Alice Kastman			<b>TOTAL -</b>			
	0.065104%			<b>10.357205%</b>			
	Marjorie Jean Nagle						
	0.023400%						
	Mary Jane Andrews						
	0.023400%						
	Mary T Christmas						
	Holladay						
	0.091250%						
	Milward Kent Miller						
	0.023400%						
	Opal Denson						

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				0.173610% Pogo Producing Company			
				1.171880% Randy Lee Cone			
				0.013020% Robert T Hartley			
				0.097660% Ronny P Lowe			
				0.06510400% S E Cone JR			
				0.065104% Sabine Royalty Trust			
				1.171880% Shana Lowe Conine			
				0.097660% Shriners Hospitals for Children			
				0.701904% Sue Saunders Graham			
				0.311960% Teddy L Hartley			
				0.097660% Texacal Oil and Gas Inc			
				0.065104% The Long Trusts			
				0.156250% The Toles Company			
				0.311960% Therylene Knox Helm			
				0.065104% Tom Cone Childrens Trust			
				0.026040% Tom R Cone			
				0.039060% Vivian Lowe Anselmi			
				0.065104% Winnie Dill Knox			
				0.195310% <b>Total -</b>			
				<b>14.444372%</b>			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
14B	T21S-R37E, NMMPM Section 17: SE/4 SW/4			A L Cone Partnership 0.781250%	Apache Corporation 100.00%	Debra Lowe Finn 0.0427230%	Apache Corporation 100.00%
				Allie M Lee Trust 2.105710%		Dion Lowe 0.042724%	
				Anita M Mebane 0.173620%		Fairway Oil & Gas Company 0.638460%	
				Apache Corporation 1.500000%		H L Lowe Trust F/B/O Haley Lowe 0.014240%	
				Auenshine Childrens Testament 0.039060%		Herd Partners LTD 0.060170%	
				Barbara Stock 0.130200%		Jack Markham 1.337080%	
				Bradford Ace Christmas 0.091250%		John Redfern III 0.212810%	
				Candy Christmas 0.091250%		Kathering A Keck 0.039060%	
				Cathie McCown 0.039060%		Kay Lowe Atcheson 0.028490%	
				Debra Lowe Finn 0.097660%		Kelly Lowe Read 0.007120%	
				Dion Lowe 0.097660%		Larry K Lowe 0.042725%	
				Dwain R Kite Estate 0.173614%		Lauren Lowe Matthews 0.021360%	
				Elliott Industries 0.280760%		Loretta D Lowe 0.042723%	
				Elliott-Hall Co 0.280760%		Marjorie Alice Kastman 0.039060%	
				Elyse S. Patterson Trust Inv LLC 0.311960%		Montgomery Petroleum Inc 0.159600%	
				H L Lowe Trust F/B/O Haley Lowe 0.032550%		NM O&G LTD 1.337080%	
				Helen Jane Christmas Barby 0.091250%		Robert T Hartley 0.042725%	
				Hinkle Investment Co 0.093590%			
				Hollis W. Grant 0.130208%			

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
	Ila Jayne Clark			0.781250%		Ronald O	
	Jack D Knox			0.065104%		Holman	
	Joyce Ann Brown			0.196530%		0.053200%	
	June D Speight			1.250000%		Ronny P Lowe	
	Katherine A Keck			0.065104%		0.028480%	
	Kay Lowe Atcheson			0.065104%		S E Cone JR	
	Kelly Lowe Read			0.032550%		0.039060%	
	Kenneth G Cone			0.039060%		Shana Lowe	
	Kenneth G			0.039060%		Conline	
	Cone Trustee			0.039060%		0.042724%	
	Larry K Lowe			0.0009766%		Teddy L Hartley	
	Lauren Lowe			0.0009766%		0.042724%	
	Matthews			0.032550%		Vivian Lowe	
	Loretta D Lowe			0.097660%		Anselmi	
	Marilyn Hanson			0.023400%		0.028480%	
	Marjorie Alice			0.065104%		Waikiki Partners	
	Kastman			0.023400%		LP	
	Marjorie Jean Nagle			0.023400%		0.212810%	
	Mary Jane Andrews			0.023400%		<b>4.555628%</b>	
	Mary T Christmas			0.091250%			
	Holladay			0.023400%			
	Milward Kent Miller			0.023400%			
	Opal Denson			0.173610%			
	Pogo Producing			1.171880%			
	Company						
					<b>Total -</b>		



TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
				Randy Lee Cone 0.013020%			
				Robert T Hartley 0.097660%			
				Ronny P Lowe 0.06510400%			
				S E Cone JR 0.065104%			
				Sabine Royalty Trust 1.171880%			
				Shana Lowe Conine 0.097660%			
				Shriners Hospitals for Children 0.701904%			
				Sue Saunders Graham 0.311960%			
				Teddy L Hartley 0.097660%			
				Texacal Oil and Gas Inc 0.065104%			
				The Long Trusts 0.156250%			
				The Toles Company 0.311960%			
				Therylene Knox Helm 0.065104%			
				Tom Cone Childrens Trust 0.026040%			
				Tom R Cone 0.039060%			
				Vivian Lowe Anselmi 0.065104%			
				Winnie Dill Knox 0.195310%			
				Daniel L Veirs 0.062500%			
				<b>Total -</b>			
						<b>14.410189%</b>	

Tract 14 ----- 40.0 net acres or 1.61% of Unit (surface) area

**TOTAL FEE LANDS**

= 680 ACRES OR 27.42%

TRACT NO.	DESCRIPTION OF LAND LEASE NAME	NUMBER OF ACRES	SERIAL NO. EXPIRATION AND DATE OF LEASE(S)	BASIC ROYALTY OWNERSHIP AND PERCENTAGE(S)	CURRENT OWNER(S) OF RECORD TITLE AND PERCENTAGE(S)	OVERRIDING ROYALTY OWNER AND PERCENTAGE(S)	WORKING INTEREST OWNERS(S) AND PERCENTAGE(S)
RECAPITULATION:							
	Total Federal Lands	= 1160.00	Acres or 46.77%				
	Total State Lands	= 640.00	Acres or 25.81%				
	Total Fee Lands	= 680.00	Acres or 27.42%				
	TOTAL UNIT	2480.00	Acres or 100.00%				

**EXHIBIT "B-2"**

Attached to and made a part of that certain  
Unit Operating Agreement dated December 1, 2007,  
WEST BLINEBRY-DRINKARD UNIT AREA  
Apache Corporation, as Unit Operator,  
Lea County, New Mexico

TRACT NO.	WORKING INTEREST OWNER	Tract Working Interest	Participation Factor		Unit Working Interest	
			Phase I	Phase II	Phase I	Phase II
<b><u>FEDERAL LANDS</u></b>						
1	Apache Corporation BP America Production Company Chevron U.S.A. Inc.	50% 25% 25%	6.30032% 6.30032% 6.30032%	6.29076% 6.29076% 6.29076%	0.03150 0.01575 0.01575	0.03145 0.01573 0.01573
	<b>Total</b>	<b>100.00%</b>			<b>0.06300320</b>	<b>0.06290760</b>
2	Apache Corporation BP America Production Company Chevron U.S.A. Inc.	50% 25% 25%	30.38117% 30.38117% 30.38117%	27.27194% 27.27194% 27.27194%	0.151906 0.075953 0.075953	0.136360 0.068180 0.068180
	<b>Total</b>	<b>100.00%</b>			<b>0.30381170</b>	<b>0.27271940</b>
3	Apache Corporation Chevron U.S.A. Inc.	75% 25%	3.19013% 3.19013%	3.27494% 3.27494%	0.023926 0.007975	0.024562 0.008187
	<b>Total</b>	<b>100.00%</b>			<b>0.03190130</b>	<b>0.03274940</b>
4	Elliott-Hall Company Ltd. Partnership Elliott Industries Ltd. Partnership Apache Corporation	25.00% 25.00% 50.00%	0.41893% 0.41893% 0.41893%	5.65016% 5.65016% 5.65016%	0.001047 0.001047 0.002095	0.014125 0.014125 0.028251
	<b>Total</b>	<b>100.00%</b>			<b>0.00418930</b>	<b>0.05650160</b>
<b><u>STATE LANDS</u></b>						
5	Apache Corporation	100.00%	11.01977%	7.47837%	0.110198	0.074784
	<b>Total</b>	<b>100.00%</b>			<b>0.11019770</b>	<b>0.07478370</b>
6	Chevron U.S.A. Inc.	100.00%	6.07217%	6.83058%	0.060722	0.068306
	<b>Total</b>	<b>100.00%</b>			<b>0.06072170</b>	<b>0.06830580</b>

TRACT NO.	WORKING INTEREST OWNER	Tract		Participation Factor		Unit Working Interest	
		Working Interest		Phase I	Phase II	Phase I	Phase II
7	Apache Corporation	100.00%	10.34503%	6.29076%		0.103450	0.062908
	Total	100.00%				0.10345030	0.06290760
8	Apache Corporation	100.00%	8.16665%	10.97643%		0.081667	0.109764
	Total	100.00%				0.08166650	0.10976430
<b><u>FEE LANDS</u></b>							
9	Apache Corporation	100.00%	4.01219%	1.03646%		0.040122	0.010365
	Total	100.00%				0.04012190	0.01036460
10	Apache Corporation	100.00%	16.21330%	16.20914%		0.162133	0.162091
	Total	100.00%				0.16213300	0.16209140
11	Apache Corporation	100.000%	3.04426%	3.74278%		0.030443	0.037428
	Total	100.00%				0.03044260	0.03742780
12	Six Aches Company Osado Oil & Gs Ltd. John P. Searls Susan Searls Collier Campbell Estate Partnership Linda Searls Neidert	37.50% 20.3125% 11.7188% 11.7188% 14.0625% 4.6875%	0.57540% 0.57540% 0.57540% 0.57540% 0.57540% 0.57540%	2.11611% 2.11611% 2.11611% 2.11611% 2.11611% 2.11611%		0.002158 0.001169 0.000674 0.000674 0.000809 0.000270	0.007935 0.004298 0.002480 0.002480 0.002976 0.000992
	Total	100.00%				0.00575400	0.02116110
13A	Apache Corporation	100.00%	0.00000%	1.18689%		0.000000	0.011869
	Total	100.00%				0.00000000	0.01186890
13B	Apache Corporation	100.00%	0.06252%	0.38507%		0.000625	0.003851
	(Hardy Blinbry Unit #1 & #2 - as to the Blinbry Formation)						
	Total	100.00%				0.00062520	0.00385070

TRACT NO.	WORKING INTEREST OWNER	Tract Working Interest	Participation Factor		Unit Working Interest	
			Phase I	Phase II	Phase I	Phase II
14A	Apache Corporation Geodyne Nominee Corporation	87.5000000% 12.5000000%	0.00000% 0.00000%	0.74856% 0.74856%	0.000000 0.000000	0.006550 0.000936
	Total	100.00%			0.00000000	0.00748560
14B	Apache Corporation	100.000000%	0.19815%	0.51103%	0.001982	0.005110
	(Hardy Blinebry Unit #3 - as to the Blinebry Formation)					
	Total	100.00%			0.00198150	0.00511030
	FEDERAL LANDS	TOTAL			0.402906	0.424878
	STATE LANDS	TOTAL			0.356036	0.315761
	FEE LANDS	TOTAL			0.241058	0.259360
	TOTAL FEDERAL, STATE & FEE LANDS				1.0000	1.0000

EXHIBIT "B-3"  
Attached to and made a part of that certain  
Unit Operating Agreement dated December 1, 2007,  
WEST BLINEBRY-DRINKARD UNIT AREA  
Apache Corporation, as Unit Operator,  
Lea County, New Mexico

TRACT NO.	SERIAL NUMBER	TRACT OIL AND GAS PARTICIPATIONS (BY TRACTS)	
		<u>PHASE I</u>	<u>PHASE II</u>
<b>FEDERAL LANDS</b>			
1	NMLC-031741-A	0.0630032	0.0629076
2	NMMN-90161	0.3038117	0.2727194
3	NMLC-032096-A	0.0319013	0.0327494
4	NMLC-032591-A	0.0041893	0.0565016
	<b>FEDERAL LANDS</b>		

TRACT NO.	SERIAL NUMBER	TRACT OIL AND GAS PARTICIPATIONS (BY TRACTS)	
<b>STATE LANDS</b>			
5	B-01557	0.1101977	0.0747837
6	B-1732-1	0.0607217	0.0683058
7	B-85-16	0.1034503	0.0629076
8	B-8105-4	0.0816665	0.1097643
	<b>STATE LANDS</b>		

TRACT NO.	SERIAL NUMBER	TRACT OIL AND GAS PARTICIPATIONS (BY TRACTS)	
<b>FEE LANDS</b>			
9	Fee Lease	0.0401219	0.0103646
10	Fee Lease	0.162133	0.1620914
11	Fee Lease	0.0304426	0.0374278
12	Fee Lease	0.005754	0.0211611
13A	Fee Lease (B-T-D Formations)	0	0.0118689
13B	Fee Lease (Hardy Blinebry #1 & #2)	0.0006252	0.0038507
14A	Fee Lease (B-T-D Formations)	0	0.0074856
14B	Fee Lease (Hardy Blinebry #3)	0.0019815	0.0051103
	<b>FEE LANDS</b>		

	<b>TOTAL FEDERAL STATE &amp; FEE LANDS</b>	1.000000	1.000000
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**EXHIBIT "C"**

Attached to and made a part of that certain  
Unit Operating Agreement dated December 1, 2007,  
WEST BLINEBRY-DRINKARD UNIT AREA  
Apache Corporation, as Unit Operator,  
Lea County, New Mexico

TRACT NO.	WORKING INTEREST OWNER	FORMATIONS	TRACT WORKING INTEREST	UNIT WORKING INTEREST PHASE I	UNIT WORKING INTEREST PHASE II
1 2 3 4 5 7 8 9 10 11 13A 13B 14A 14B	Apache Corporation		50.00% 50.00% 75.00% 50.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 87.50% 100.00%	3.15016% 15.19059% 2.39260% 0.20947% 11.01977% 10.34503% 8.16665% 4.01219% 16.21330% 3.04426% 0.00000% 0.06252% 0.00000% 0.19815%	3.14538% 13.63597% 2.45621% 2.82508% 7.47837% 6.29076% 10.97643% 1.03646% 16.20914% 3.74278% 1.18689% 0.38507% 0.65499% 0.51103%
	<b>TOTAL</b>			<b>74.00468%</b>	<b>70.53456%</b>
12	Campbell Estate Partnership		14.0625%	0.08092%	0.29758%
	<b>TOTAL</b>			<b>0.08092%</b>	<b>0.29758%</b>
1 2	BP America Production Co.		25.00% 25.00%	1.57508% 7.59529%	1.57269% 6.81799%
	<b>TOTAL</b>			<b>9.17037%</b>	<b>8.39068%</b>
1 2 3 6	Chevron U.S.A. Inc.		25.00% 25.00% 25.00% 100.00%	1.57508% 7.59529% 0.79753% 6.07217%	1.57269% 6.81799% 0.81874% 6.83058%
	<b>TOTAL</b>			<b>16.04008%</b>	<b>16.03999%</b>
4	Elliott-Hall Company Ltd. Ptnp.		25.00%	0.10473%	1.41254%
	<b>TOTAL</b>			<b>0.10473%</b>	<b>1.41254%</b>

TRACT NO.	WORKING INTEREST OWNER	FORMATIONS	TRACT WORKING INTEREST	UNIT WORKING INTEREST PHASE I	UNIT WORKING INTEREST PHASE II
4	Elliott Industries Limited Partnership		25.00%	0.10473%	1.41254%
	<b>TOTAL</b>			<b>0.10473%</b>	<b>1.41254%</b>
14A	Geodyne Nominee Corporation		12.50%	0.00000%	0.09357%
	<b>TOTAL</b>			<b>0.00000%</b>	<b>0.09357%</b>
12	John P. Searls		11.7188%	0.06743%	0.24798%
	<b>TOTAL</b>			<b>0.06743%</b>	<b>0.24798%</b>
12	Linda Searls Neidert		4.6875%	0.02697%	0.09919%
	<b>TOTAL</b>			<b>0.02697%</b>	<b>0.09919%</b>
12	Six Aeches Company		37.5000%	0.21578%	0.79354%
	<b>TOTAL</b>			<b>0.21578%</b>	<b>0.79354%</b>
12	Susan Searls Collier		11.7188%	0.06743%	0.24798%
	<b>TOTAL</b>			<b>0.06743%</b>	<b>0.24798%</b>
12	Osado Oil & Gas, Ltd. A Texas Limited Partnership		20.3125%	0.11688%	0.42983%
	<b>TOTAL</b>			<b>0.11688%</b>	<b>0.42983%</b>
	<b>TOTAL</b>			<b>100.00%</b>	<b>100.00%</b>



## EXHIBIT " D "

Attached to and made a part of that certain Unit Operating Agreement dated the 1<sup>st</sup> day of December, 2007,  
for the West Blinberry Drinkard Unit, located in Lea County, New Mexico.

# ACCOUNTING PROCEDURE JOINT OPERATIONS

### I. GENERAL PROVISIONS

#### 1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

#### 2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

#### 3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

thirty (30)

B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Chase  
Manhattan Bank, NY\*\* on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

\*\*New York, NY

#### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

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## 5. Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- C. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

## 6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items: 1.

### 1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

### 2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (5) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

### 4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

### 5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

### 6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

#### **7. Services**

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

#### **8. Equipment and Facilities Furnished By Operator**

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed ten percent (10 %) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

#### **9. Damages and Losses to Joint Property**

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

#### **10. Legal Expense**

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

#### **11. Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

#### **12. Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

#### **13. Abandonment and Reclamation**

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

#### **14. Communications**

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

#### **15. Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or

( ) Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

( ) shall be covered by the overhead rates, or

(X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

( ) shall be covered by the overhead rates, or

(X) shall not be covered by the overhead rates.

#### A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 4,250  
(Prorated for less than a full month)

Producing Well Rate \$ 425

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

##### (a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

##### (b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

#### B. Overhead - Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:

(a) Development

Percent (\_\_\_\_ %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

Percent (\_\_\_\_ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$ 25,000

A. \_\_\_\_ 5 \_\_\_\_ % of first \$100,000 or total cost if less, plus

B. \_\_\_\_ 3 \_\_\_\_ % of costs in excess of \$100,000 but less than \$1,000,000, plus

C. \_\_\_\_ 2 \_\_\_\_ % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

A. \_\_\_\_ 5 \_\_\_\_ % of total costs through \$100,000; plus

B. \_\_\_\_ 3 \_\_\_\_ % of total costs in excess of \$100,000 but less than \$1,000,000; plus

C. \_\_\_\_ 2 \_\_\_\_ % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2 1/2 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2 1/2 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
  - (b) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
  - (c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
  - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
  - (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
- (c) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

## ***EXHIBIT "E"***

ATTACHED TO AND MADE A PART OF UNIT OPERATING AGREEMENT, WEST BLINEBRY-DRINKARD UNIT, LEA COUNTY, NEW MEXICO, DATED DECEMBER 1, 2007.

### **INSURANCE AND CLAIMS**

1. UNIT OPERATOR shall, at all times while conducting operations hereunder, comply with all applicable Workers' Compensation and Occupational Disease Laws and carry all Employer's Liability and other insurance required by the laws of New Mexico, provided, however, that UNIT OPERATOR may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained.
2. No other insurance shall be carried by UNIT OPERATOR for the joint account unless agreed to by the Working Interest Owners in accordance with the voting procedure set forth in Article 4 of the Unit Operating Agreement
3. Each Working Interest Owner may procure such insurances with respect to the co-owned properties and operations as it deems necessary to protect itself against claims and damages, and all insurance policies shall provide that underwriters and insurance carriers of such Working Interest Owner shall waive any right of subrogation against UNIT OPERATOR and other Working Interest Owners.



## **EXHIBIT "F"**

Attached to and made a part of that certain Unit Operating Agreement dated  
December 1, 2007, for the West Blinbry-Drinkard Unit,  
Located in Lea County, New Mexico

### **GAS BALANCING AGREEMENT**

#### **INTENT OF THIS GAS BALANCING AGREEMENT**

The parties to this gas balancing agreement (GBA) intend to provide a method of balancing gas production from the lease(s) or unit when a party does not take its proportionate share of production.

Pursuant to the above Operating Agreement, each party shall have the right, but not the obligation to take in kind and/or separately dispose of its proportionate share of the gas produced from the above stipulated lease or unit and shall make a good faith effort to dispose its share of gas as currently produced. In the event any party hereto fails, or is unable, to take in kind and/or market its share of the gas as produced for any reason, the terms of this GBA shall automatically become effective, and shall superseded any relevant contrary terms in the Operating Agreement (unless otherwise noted herein).

The terms "party" and "parties" shall be considered to imply either the singular or plural form of the word as applicable according to the context.

#### **OVER/UNDER PRODUCTION**

During any period or periods when any party hereto fails, or is unable, to take in kind and/or market, for any reason, its share of gas as produced, the other party shall be entitled, but not required, to produce each month the maximum amount of gas production permitted by the appropriate governmental authority having jurisdiction and deliver to their purchasers all gas production not taken by the under produced party. Each party failing to take or market its full share of the gas as produced shall be considered under produced by a quantity of gas equal to its share of the gas produced, less such party's share of the gas taken or sold, vented, lost, or used in the lease or unit operations. Those parties which are capable of taking and/or marketing quantities of gas allocable to an underproduced party, in the absence of any other agreement between them, shall each take a share of the gas attributed to the underproduced party in the direct proportion that its interest bears to the total interest of all parties taking underproduced gas and shall be considered to be overproduced. All gas taken and marketed by a party in accordance with the terms of the GBA, regardless of whether such party is underproduced or overproduced, shall be regarded as gas taken for its own account with title thereto being in such party, whether such gas is attributable to such party's working interest share of production, to overproduction, or to makeup of underproduction.

## ACCOUNTING FOR IMABALANCE

The Operator will maintain appropriate accounting on a monthly and cumulative basis of the quantities and categories of gas each party is entitled to receive and the quantities and categories of gas taken and/or marketed by each of the parties. For the sole purpose of implementing the terms of this GBA and adjusting gas imbalances which may occur, each party disposing of gas from the lease(s) or unit in any month, to the extent required, shall furnish or cause to be furnished to the Operator by the last day of each calendar month a statement showing the total volume of gas sold by such party or taken in kind for its own account during the preceding calendar month (the "report period"). Within ninety (90) days after the end of each report period, the Operator shall furnish each party a statement showing the status of the overproduced and underproduced accounts of all parties. Each party to this GBA agrees that it will not utilize any information obtained hereunder for any purpose other than implementing the terms of this agreement.

## GAS MAKEUP

Any party underproduced shall endeavor to bring its taking of gas of that category into balance. A reasonable length of time after written notice to the Operator, any party may begin taking and/or delivering to its purchaser(s) its full share of gas produced. In addition, to allow for the recovery and makeup of underproduced gas and to balance the gas account between the parties in accordance with their respective interests, the underproduced party shall be entitled to take an additional share of gas ("make-up gas"). A reasonable length of time after written notice to the Operator, the underproduced party shall be entitled to take up to an additional twenty-five percent (25%) of the monthly quantity of that category of gas attributable to the overproduced party; however in no event shall the make-up gas entitlement of a party exceed one hundred percent of that party's regular working interest entitlement of production. If more than one underproduced party is entitled to take additional gas, they shall divide the make-up gas in proportion to their respective underproduced accounts. The first gas made up shall be assumed to be the first gas produced.

It is specifically agreed that no underproduced party will be allowed to take make-up gas during the months of November, December January, or February ("the Winter Period"); provided, however, gas make-up will be allowed during the Winter Period only if the underproduced party has taken at least ninety percent (90%) of the make-up gas to which it was entitled during the six consecutive months immediately prior to the Winter Period.

## CESSATION OF PRODUCTION

If upon termination of gas production an imbalance exists between the parties, a monetary settlement of the imbalance between the parties shall be made within a reasonable length of time after production permanently ceases. The amount of the monetary settlement will be limited to the proceeds actually received by the overproduced party at the time of overproduction. Any monetary settlement between the parties shall be made net of any royalties, production taxes, and severance taxes previously paid on the overproduction by the overproduced and severance taxes previously paid on the overproduction by the overproduced

party, and also net of any outstanding amounts related to the lease(s) or unit(s) which are owed by the underproduced party to the overproduced party. If the overproduced party did not sell its gas, but otherwise utilized such gas in its own operations, such gas will be valued in the same manner used for royalty and severance tax purposes when produced.

### **ROYALTY SETTLEMENT**

At all times while gas is produced from the Contract Area, each party producing or taking gas as provided herein shall pay or cause to be paid any and all royalties due on such gas in accordance with the Operating Agreement and any overriding royalties borne by all parties; provided, however, if Operator is not a taking party, it shall have the right to request and receive evidence of payment of all royalties. The party not taking its share of gas shall have no obligation for payments of royalties on its share of gas not taken by such party, but shall be fully responsible for any other burdens affecting its share of gas and shall indemnify and hold each other party harmless from all claims relating thereto. As used in this paragraph, the phrase "royalties due on such gas in accordance with the Operating Agreement" shall not be limited as provided in Article III.B., but shall include all royalties as provided in each such oil and gas lease as contributed by any party not taking its share of gas.

### **DELIVERABILITY TESTS**

Nothing herein shall be construed to deny any party the right, from time to time, upon reasonable advance notice in writing to the operator, to produce and take or deliver to its purchaser the full well stream for a reasonable period to meet the deliverability test required by its purchaser.

### **TAXES**

Except where provision is made to the contrary in the Operating Agreement, each party shall pay, or cause to be paid, all production and severance taxes due and payable on its full share of gas production, as if each party were taking or delivering to a purchaser its full share of production.

### **LIQUID HYDROCARBONS**

All parties hereto shall share in and own the liquid hydrocarbons recovered from all gas by primary separation equipment prior to processing in a gas plant in accordance with their respective interests, as specified in the above Operating Agreement, whether or not such parties are actually producing and marketing at such time.

### **LEASE OPERATING COST**

Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred in operations, as its share thereof is set forth in the above described Operating Agreement.

## **TERM**

This agreement shall remain in force and effect as long as the Operating Agreement is in effect and thereafter until the gas balance accounts between the parties are settled in full and shall accrue to the benefit and be binding upon the parties hereto, their successors, representatives, and assigns.

EXHIBIT "G"

TO UNIT OPERATING AGREEMENT  
WEST BLINEBRY-DRINKARD UNIT  
LEA COUNTY, NEW MEXICO

INDEMNITY AGREEMENT

WHEREAS, Section 14 (c) of the agreement "Unit Agreement, West Blinebry-Drinkard Unit, Lea County, New Mexico", dated as of December 1, 2007, provides that under certain circumstances and conditions therein stated a Tract that fails to qualify for inclusion in the Unit Area of the Unit may be included if the requisite Working Interest Owners in the Tract as specified in said Section request the inclusion of the Tract in the Unit Area and execute and deliver, or obligate themselves to execute and deliver, an indemnity agreement; and

WHEREAS, Tract \_\_\_\_\_, described in the Unit Agreement is such a Tract; and

WHEREAS, the undersigned are owners of Working Interest in such Tract who have become parties to the Unit Agreement and the Unit Operating Agreement and desire the inclusion of the Tract in the Unit Area of the Unit.

NOW, THEREFORE, in consideration of and conditioned upon said Tract's meeting the other requirements of the aforesaid Section of the Unit Agreement and its inclusion in the Unit Area of the Unit, the undersigned hereby request the inclusion of the above Tract in the Unit Area and agree, together with other owners of working interest in the Tract, who execute and deliver, or who obligate themselves to execute and deliver, like indemnity agreements, to indemnify and hold harmless all other Working Interest Owners in the Unit Area, against all claims and demands required by said Section to be the subject of such indemnity. Any liability arising hereunder shall be borne by the undersigned and other Working Interest Owners in the Tract who are committed to like indemnity agreements, in the proportion that the Working Interest of each in the Tract bears to the total Working Interest therein of all the owners of Working Interest in the Tract committed to such indemnity agreements.

This indemnity shall become void with respect to all claims and demands based upon occurrences subsequent to the time when one hundred percent (100%) of the Working Interest in the Tract becomes committed to the Unit Agreement.

This agreement shall be binding upon and shall inure to the benefit of the heirs, devisees, legal representatives, successors, and assigns of the respective parties initially bound or benefited by the provisions hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the day and date evidenced by his certificate of acknowledgement hereof.

**CORPORATE ACKNOWLEDGEMENT**

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

This instrument was acknowledged before me on \_\_\_\_\_, 200\_\_ by  
\_\_\_\_\_, of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

\_\_\_\_\_  
My Commission Expires

\_\_\_\_\_  
Notary Public in and for said county  
and state.

\_\_\_\_\_  
Notary Public (print name)

**INDIVIDUAL ACKNOWLEDGEMENT**

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

This instrument was acknowledged before me on \_\_\_\_\_, 200\_\_ by  
\_\_\_\_\_.

\_\_\_\_\_  
My Commission Expires

\_\_\_\_\_  
Notary Public in and for said county  
and state.

\_\_\_\_\_  
Notary Public (print name)

## EXHIBIT "H"

Attached to and made a part of that certain Unit Operating Agreement dated  
December 1, 2007, for the West Blinebry-Drinkard Unit,  
Located in Lea County, New Mexico

### CERTIFICATE OF COMPLIANCE

Unless this Agreement is exempted by law, rule, regulation or order, Unit Operator shall comply with the following clauses contained in the Code of Federal regulations (including any revision or redesignation hereof), which are incorporated herein by reference with the same force and effect as if they were given in full text.

<u>№ AND FAR SOURCE</u>	<u>TITLE AND DATE</u>
48 CFR §52.219-08 FAR 19.708(a)	Utilization of Small Business Concerns and Small Disadvantages Business Concerns (Jun 1985)
48 CFR §52.219-13 FAR 19.902	Utilization of Women-Owned Small Businesses (Aug 1986)
48 CFR §52.220-03 FAR 20.302(a)	Utilization of Labor Surplus Area Concerns (Apr 1984)
48 CFR §52.222-21 FAR 22.810(a)(1)	Certification of Nonsegregated Facilities (Apr 1984)
48 CFR §52.222-25 FAR 22.810(d)	Affirmative Action Compliance (Apr 1984)
48 CFR §52.222-26 FAR 22.810(e)	Equal Opportunity (Apr 1984)
48 CFR §52.222-35 FAR 22.1308	Affirmative Action for Special Disabled and Vietnam Era Veterans (Apr 1984)
48 CFR §52.222-36 FAR 22.1408	Affirmative Action for Handicapped Workers (Apr 1984)
48 CFR §52.223-02 FAR 23.105(b)	Clean Air and Water (Apr 1984)
48 CFR §52.223-03 FAR 23.303	Hazardous Material Identification and Material Safety Data (Aug 1987)
48 CFR §52.223-06 FAR 23.505(c)	Drug-Free Workplace (Mar 1989)
48 CFR §22-804.1	Affirmative Action Programs
48 CFR §52.220-4 FAR 20.302(b)	Labor Surplus Area Subcontracting Program (Apr 1984)
48 CFR §52.219-9 FAR 19.708(b)	Small Business and Small Disadvantaged Business Subcontracting Plan (Aug 1989)

## EXHIBIT "I"

Attached to and made a part of that certain  
Unit Operating Agreement dated December 1, 2007,  
WEST BLINEBRY-DRINKARD UNIT AREA  
Apache Corporation, as Unit Operator,  
Lea County, New Mexico

Tract	Operator	Lease Name	Well #	Location	Well Spot	
1	APACHE CORPORATION	Hawk A	2	8 21S 37E	1980 FNL 660 FEL CONGRESS SECTION	1
			3	9 21S 37E	1980 FNL 660 FWL CONGRESS SECTION	2
			4	4 21S 37E	660 FSL 660 FWL CONGRESS SECTION	3
		Warren Unit Blin/Tubb WF-Hawk A	5	9 21S 37E	660 FNL 660 FWL CONGRESS SECTION	4
			6	8 21S 37E	1980 FNL 1980 FEL CONGRESS SECTION	5
			7	8 21S 37E	990 FNL 1980 FWL CONGRESS SECTION	6
			8	8 21S 37E	990 FNL 660 FEL CONGRESS SECTION	7
			9	8 21S 37E	840 FNL 1980 FEL CONGRESS SECTION	8
			19	8 21S 37E	1420 FNL 150 FEL CONGRESS SECTION	9
			30	9 21S 37E	1310 FNL 1310 FWL CONGRESS SECTION	10
			31	8 21S 37E	2630 FNL 1330 FEL CONGRESS SECTION	11
			33	9 21S 37E	2528 FNL 1250 FWL CONGRESS SECTION	12
2	APACHE CORPORATION	Hawk B-1	AC #1	9 21S 37E	1980 FNL 1980 FWL CONGRESS SECTION	13
			2	9 21S 37E	1980 FSL 1980 FEL CONGRESS SECTION	14
			3	9 21S 37E	660 FNL 1980 FWL CONGRESS SECTION	15
			4	9 21S 37E	1980 FSL 660 FWL CONGRESS SECTION	16
			5	9 21S 37E	1980 FSL 1980 FWL CONGRESS SECTION	17
			7	9 21S 37E	660 FSL 660 FEL CONGRESS SECTION	18
			8	9 21S 37E	660 FSL 1980 FEL CONGRESS SECTION	19
			9	9 21S 37E	660 FSL 660 FWL CONGRESS SECTION	20
			10	8 21S 37E	660 FSL 660 FEL CONGRESS SECTION	21
			11	8 21S 37E	1980 FSL 660 FEL CONGRESS SECTION	22
			13	9 21S 37E	1980 FSL 660 FEL CONGRESS SECTION	23
			14	8 21S 37E	1980 FSL 1980 FEL CONGRESS SECTION	24
			15	8 21S 37E	2093 FSL 1867 FWL CONGRESS SECTION	25
			34	9 21S 37E	1040 FSL 1470 FWL CONGRESS SECTION	26
			42	8 21S 37E	1365 FSL 1420 FEL CONGRESS SECTION	27
			45	8 21S 37E	1332 FSL 2629 FWL CONGRESS SECTION	28
			46	8 21S 37E	1475 FSL 80 FEL CONGRESS SECTION	29
			47	9 21S 37E	1330 FSL 2400 FEL CONGRESS SECTION	30
			48	9 21S 37E	1440 FSL 1332 FEL CONGRESS SECTION	31
			62	9 21S 37E	185 FSL 2460 FEL CONGRESS SECTION	32
			63	9 21S 37E	190 FSL 1461 FEL CONGRESS SECTION	33
			64	9 21S 37E	2605 FSL 1210 FEL CONGRESS SECTION	34
			65	9 21S 37E	2620 FSL 2510 FEL CONGRESS SECTION	35
3	APACHE CORPORATION	Lockhart A-17	3	17 21S 37E	1980 FNL 660 FEL CONGRESS SECTION	36
			4	17 21S 37E	660 FNL 660 FEL CONGRESS SECTION	37
			20	17 21S 37E	2630 FNL 1310 FEL CONGRESS SECTION	38
			23	17 21S 37E	2630 FSL 120 FEL CONGRESS SECTION	39
			25	17 21S 37E	110 FNL 180 FEL CONGRESS SECTION	40
			26	17 21S 37E	1240 FNL 40 FEL CONGRESS SECTION	41
			1	21 21S 37E	660 FNL 660 FEL CONGRESS SECTION	42
4	APACHE CORPORATION	Elliot A	2	21 21S 37E	1980 FNL 660 FEL CONGRESS SECTION	43
			3	16 21S 37E	1980 FNL 660 FWL CONGRESS SECTION	44
5	APACHE CORPORATION	State C Tract 12 (orig #1 well)	4	16 21S 37E	1980 FNL 1980 FWL CONGRESS SECTION	45
			6Y	16 21S 37E	720 FNL 1980 FWL CONGRESS SECTION	46
		(orig #2 well)	7	16 21S 37E	660 FNL 660 FWL CONGRESS SECTION	47
			14	16 21S 37E	1240 FNL 1270 FWL CONGRESS SECTION	48
			31	16 21S 37E	110 FNL 1195 FWL CONGRESS SECTION	49
			33	16 21S 37E	1330 FNL 2440 FWL CONGRESS SECTION	50
			2	16 21S 37E	1980 FNL 660 FEL CONGRESS SECTION	51
6	CHEVRON	Harry Leonard	4	16 21S 37E	660 FNL 660 FEL CONGRESS SECTION	52
			4	16 21S 37E	1980 FSL 660 FWL CONGRESS SECTION	53
			1	16 21S 37E	1980 FSL 660 FWL CONGRESS SECTION	54
7	APACHE CORPORATION	State DA	2	16 21S 37E	1980 FSL 1980 FWL CONGRESS SECTION	55
			3	16 21S 37E	1980 FSL 1980 FEL CONGRESS SECTION	56
			4	16 21S 37E	1980 FSL 660 FEL CONGRESS SECTION	57
			12	16 21S 37E	1650 FSL 1650 FEL CONGRESS SECTION	58
			21	16 21S 37E	2530 FSL 1240 FWL CONGRESS SECTION	59
			22	16 21S 37E	2630 FSL 2610 FWL CONGRESS SECTION	60
			23	16 21S 37E	2630 FSL 1360 FEL CONGRESS SECTION	61
			25	16 21S 37E	1510 FSL 1280 FWL	62
			26	16 21S 37E	1330 FSL 2630 FWL	63
			3	16 21S 37E	660 FSL 1980 FEL CONGRESS SECTION	64
8	APACHE CORPORATION	State Land 15	4	16 21S 37E	660 FSL 660 FEL CONGRESS SECTION	65
			5	16 21S 37E	330 FSL 330 FEL CONGRESS SECTION	66
			6	16 21S 37E	330 FSL 1650 FEL CONGRESS SECTION	67
			9	16 21S 37E	910 FSL 1330 FEL CONGRESS SECTION	68
			10	16 21S 37E	330 FSL 2610 FEL CONGRESS SECTION	69
			11	16 21S 37E	330 FSL 1330 FWL CONGRESS SECTION	70
9	APACHE CORPORATION	Gulf Hill	3	4 21S 37E	3300 FSL 1980 FEL CONGRESS SECTION	71
			7	4 21S 37E	3480 FSL 1650 FEL CONGRESS SECTION	72
			8	4 21S 37E	2630 FSL 2310 FEL CONGRESS SECTION	73
			20	4 21S 37E	1330 FSL 1440 FEL CONGRESS SECTION	74



## EXHIBIT "I"

Attached to and made a part of that certain  
Unit Operating Agreement dated December 1, 2007,  
WEST BLINEBRY-DRINKARD UNIT AREA  
Apache Corporation, as Unit Operator,  
Lea County, New Mexico

Tract	Operator	Lease Name	Well #	Location	Well Spot	
10	APACHE CORPORATION	Southland Royalty "A"	1	9 21S 37E	1980 FNL 1980 FEL CONGRESS SECTION	75
			2	9 21S 37E	660 FNL 1980 FEL CONGRESS SECTION	76
			3	4 21S 37E	660 FSL 1980 FWL CONGRESS SECTION	77
			5	4 21S 37E	1980 FSL 660 FEL CONGRESS SECTION	78
			6	9 21S 37E	1980 FNL 660 FEL CONGRESS SECTION	79
			7	9 21S 37E	660 FNL 585 FEL CONGRESS SECTION	80
			8	4 21S 37E	660 FSL 1980 FEL CONGRESS SECTION	81
			16	9 21S 37E	1210 FNL 1470 FEL CONGRESS SECTION	82
			19	4 21S 37E	130 FSL 1270 FEL CONGRESS SECTION	83
			20	9 21S 37E	1330 FNL 2310 FEL CONGRESS SECTION	84
			21	4 21S 37E	1310 FSL 430 FEL CONGRESS SECTION	85
			22	9 21S 37E	2310 FNL 430 FEL CONGRESS SECTION	86
			23	4 21S 37E	2310 FSL 350 FEL CONGRESS SECTION	87
			31	4 21S 37E	145 FSL 2630 FEL CONGRESS SECTION	88
			32	4 21S 37E	145 FSL 1460 FWL CONGRESS SECTION	89
11	APACHE CORPORATION	W. W. Weatherly	2	17 21S 37E	1980 FSL 1980 FEL CONGRESS SECTION	90
			3	17 21S 37E	1980 FNL 1980 FEL CONGRESS SECTION	91
			4	17 21S 37E	2058 FSL 2053 FWL CONGRESS SECTION	92
12	CAMPBELL & HEDRICK	Weatherly	1	17 21S 37E	330 FNL 1650 FEL CONGRESS SECTION	93
13	APACHE CORPORATION	Hardy Blinebry Unit	1	17 21S 37E	660 FSL, 660 FEL	94
			2	17 21S 37E	660 FSL, 1980 FEL	95
14b	APACHE CORPORATION	Hardy Blinebry Unit	3	17 21S 37E	660 FSL, 1980 FWL	96