KELLAHIN & KELLAHIN
Attorney at Law

W. THOMAS KELLAHIN
706 GONZALES ROAD
SANTA FE, NEW MEXICO 87501

TELEPHONE 505-982-4285
FACSIMILE 505-216-2780
TKELLAHIN@COMCAST.NET

January 28, 2011

HAND DELIVERED

David K. Brooks, Esq.
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: NMOCD Case 14589
Application of Burlington Resources Oil & Gas Company, L.P.
To void Order R-8993 including authority to file Amended C-102s for Certain Fruitland Coal-Gas Wellbores within Sections 7 and 8 of T32N, R6W all within the Allison Unit, San Juan County, New Mexico

Dear Mr. Brooks,

On January 20, 2011, you were the Division's hearing Examiner for the referenced case. Near the conclusion of the hearing, you stated that I obtain a Supplemental Affidavit to further explain the difference between the Allison Unit a fixed interest unit, and the more typically understood divided type Federal unit with participation areas. Please find enclosed that affidavit marked as Hearing Exhibit along with the locator map, Exhibit "A;" the Unit Agreement, Exhibit "B" and the Unit Accounting Agreement, Exhibit "C."

Very truly yours,

W. Thomas Kellahin

cc: Burlington Resources Oil & Gas Company, L.P.
Attn: Vanessa M. Thompson

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF BURLINGTON RESOURCES OIL & GAS COMPANY, L.P. TO VOID DIVISION ORDER R-8993 INCLUDING AUTHORITY TO FILE AMENDED ACREAGE DEDICATION PLATS "C-102s" FOR CERTAIN FRUITLAND COAL GAS WELLBORES WITHIN SECTION 7 AND 8 OF TOWNSHIP 32 NORTH RANGE 6 WEST, ALL WITHIN THE ALLISON UNIT, SAN JUAN COUNTY, NEW MEXICO

CASE NO. 14589

FIRST SUPPLEMENTAL AFFIDAVIT OF VANESSA M. THOMPSON

STATE OF NEW MEXICO §
§ ss.
COUNTY OF SAN JUAN §

Before me, the undersigned authority, personally appeared Vanessa M. Thompson, who being fully sworn stated:

A. My name and qualifications as an expert are as follows:

Education: B.B.A. in Energy Management, University of Oklahoma
Experience: Landman, San Juan Basin, ConocoPhillips, July 2008 – Present
- Job responsibilities include contract preparation/ negotiation, title review/curative and ownership analysis with a specialized focus on Federal Units
- Other responsibilities include Land education and training and mentoring for early career Landmen

Associations: American Association of Professional Landmen
Four Corners Association of Professional Landmen

B. I am over the age of majority and competent to make this First Supplemental Affidavit.

I am each responsible for and involved in preparing the necessary documents for submittal to the New Mexico Oil Conservation Division for this case.

I am personally knowledgeable and familiar with the facts and circumstances of this case and the following factual statements.

I am familiar with the Allison Unit and its Unit Agreement and Unit Accounting Agreement.

This affidavit has been prepared in accordance with the New Mexico Oil Conservation Division Rule 1207.A(1)(b).

C. My expert opinions are based on the following facts and events:

CHRONOLOGICAL SUMMARY OF SIGNIFICANT EVENTS

(1) Burlington is the current operator of the Allison Unit that includes, among other acreage, all of Sections 7 and 8, T32N, R6W, San Juan County, New Mexico. **See locator Map attached as Exhibit "A".**

(2) The Allison Unit is a "fixed interest unit"; thus, Burlington's requested voiding of Order R-8993 and the changes to the configuration of these spacing units will not result in a change of gross interest for any interest owner. Additionally, the initial expansion of the Fruitland Coal Participating Area covers the entire Allison Unit, so any changes to the configuration of these spacing units will also not result in a change of net interest for any interest owner.

(3) The Allison Unit was approved by the New Mexico Oil Conservation Commission by Order R-24 in Case 224 on June 14, 1950.

(4) The Allison Unit consists of Federal ("BLM"), State of New Mexico, State of Colorado and fee tracts.

(5) The Allison Unit is characterized as a "Fixed Interest Unit" which is different from a more familiar Divided Interest Unit.

(6) That difference is described as follows:

a. The Unit Accounting Agreement for the Allison Unit sets out the working interest ownership on a contractual basis, which is fixed for all lands within the Unit Area. The percentage of working interest for each owner is the same regardless of the location of the well being drilled. The working interest was determined based on each owners' ownership in various tracts and the surface acreage those tracts contribute to the Unit Area. This varies from a Divided Interest Unit, where working interest is based on the leasehold ownership for each tract and varies from tract to tract.

b. The royalty interests ("RI") and overriding royalty interests ("ORRI") in the Allison Unit were determined and fixed when the Initial Participating Area was established, effective July 1, 1989, thus allocating revenues between royalty and working interest owners. The Initial Participating Area for the Fruitland Coal Formation was fully expanded to cover the entire Unit Area of the Allison Unit.

c. The royalty and overriding royalty interests in the Divided Unit are determined as follows: prior to commerciality determination of the drilled well, the RI and ORRI in that well's spacing unit ("drillblock") are paid according to their percentage interest in the drillblock. Then, after commerciality determination, the drillblock is added to the PA and all interest including the RI and ORRI, are recalculated at that time based upon their respective interest in the expanded PA.

(7) The Fixed Interest nature of the Allison Unit is not consequential due to the fact that the entire Unit Area was brought in to the Fruitland Coal Participating Area during the initial expansion, effective July 1, 1989, due to geologic inference. Ownership is identical for all lands within the Participating Area. Just as in a Divided Interest Unit, each Tract in the Participating Area is allocated its share of total production as its surface area bears to the said Participating Area, regardless of where it was produced.

(8) At the request of the Division, a true and correct copy of the Allison Unit's Unit Agreement and Unit Accounting Agreement are attached as Exhibit "B" and Exhibit "C".

SUPPLEMENTAL EXPERT OPINIONS

(1) Approval of this application will not impair the correlative rights of any other interest owner in these Fruitland Coal-Gas well and spacing units.

(2) Because the Fruitland Coal Participating Area covers the entire Unit Area of the Allison Unit, notification is not required.

(3) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

FURTHER AFFIANT SAYETH NOT:

Vanessa M. Thompson

ACKNOWLEDGMENT

STATE OF NEW MEXICO)
)**SS:**
COUNTY OF SAN JUAN)

BEFORE me, the undersigned, a Notary Public in and for said County and State, on this 25th day of January 2011 personally appeared Vanessa M. Thompson a person who subscribed the name of the maker thereof to the foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

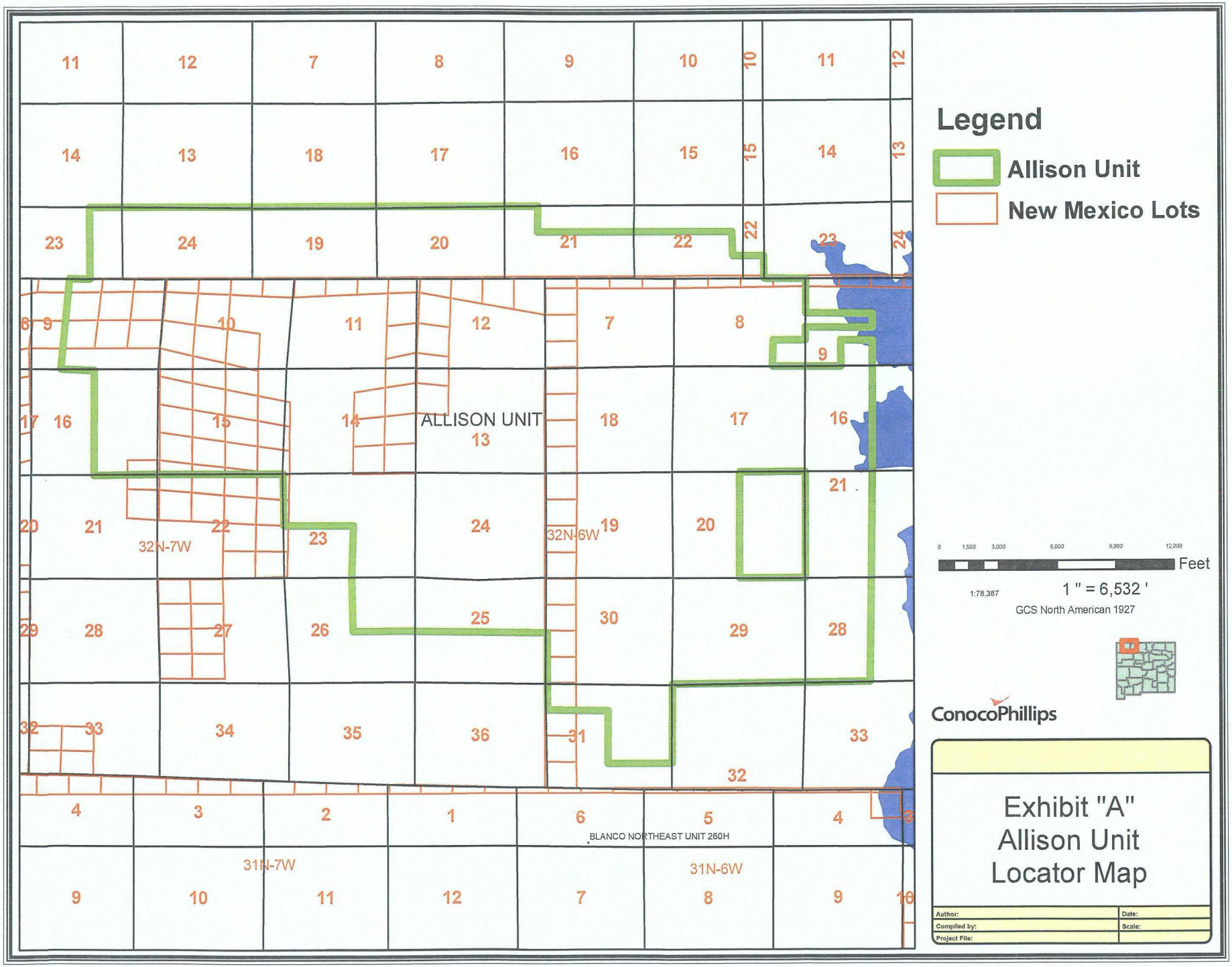
Given under my hand and seal the day and year last above written.

VALERIE VIGIL NOTARY PUBLIC STATE OF NEW MEXICO

Notary Public

My Commission expires:

12/03/2014


Legend
Allison Unit
New Mexico Lots
ALLISON UNIT
BLANCO NORTHEAST UNIT 260H
32N-7W
32N-6W
31N-7W
31N-6W
0 1,500 3,000 6,000 9,000 12,000
Feet
1:78,387
1 " = 6,532 '
GCS North American 1927
ConocoPhillips
Exhibit "A"
Allison Unit
Locator Map
Author:
Date:
Compiled by:
Scale:
Project File:

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

ALLISON UNIT AREA

COUNTIES OF SAN JUAN, NEW MEXICO,
and
LAPLATA AND ARCHULETA, COLORADO,

I - SEC. NO. 752

THIS AGREEMENT, entered into as of the 15th day of November, 1949, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, 30 U.S.C. Secs. 181, et seq., as amended by the Act of August 8, 1946, 60 Stat. 950, authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating under a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an act of the Legislature (Ch. 88, N.M. Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an act of the Legislature (Ch. 72, N.M. Laws of 1935 as amended by Ch. 168, N.M. Laws of 1949) to approve this agreement and the conservation provisions thereof; and

WHEREAS, the parties hereto hold sufficient interests in the ALLISON UNIT AREA to give reasonably effective control of operation therein; and

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

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

ENABLING ACT AND REGULATIONS 1. The Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement, and as to non-Federal land applicable State laws are accepted and made part of this agreement.

UNIT AREA 2. The following described land is hereby designated and recognized as constituting the unit area:

TOWNSHIP 32 NORTH, RANGE 6 WEST, N.M. P.M., NEW MEXICO		ACRES
Section 7:	Lots 1, 2, 3, 4, 5, 6, 7; SE/4 NW/4; E/2 SW/4; S/2 NE/4; SE/4 (All)	549.74
" 8:	Lots 1, 2, 3, 4; S/2 N/2; S/2	554.82
" 9:	SW/4	160.00
" 16:	W/2	320.00
" 17:	All	640.00
" 18:	Lots 1, 2, 3, 4; E/2 W/2; E/2 (All)	637.82
" 19:	Lots 1, 2, 3, 4; E/2 W/2; E/2 (All)	636.83
" 20:	All	640.00
" 21:	W/2	320.00
" 28:	W/2	320.00
" 29:	All	640.00
" 30:	Lots 1, 2, 3, 4; E/2 W/2; E/2 (All)	634.42
" 31:	Lot 1; NE/4 NW/4; NE/4; N/2 SE/4	318.39

TOWNSHIP 32 NORTH, RANGE 7 WEST, N.M., P.M., NEW MEXICO		
Section 9:	Lots 1, 2, 3; SE/4; E/2 SW/4	298.15
" 10:	Lots 1, 2, 3, 4; S/2 (Fractional, All)	397.56
" 11:	Lots 1, 2, 3, 4; S/2 " "	398.25
" 12:	Lots 1, 2, 3, 4; S/2 " "	399.00
" 13:	All	640.00
" 14:	All	640.00
" 15:	All	640.00
" 16:	E/2	320.00
" 23:	NW/4; E/2	480.00
" 24:	All	640.00
" 25:	NW/4; N/2 NE/4; S/2 NE/4	320.00
" 26:	NE/4	160.00

TOWNSHIP 32 NORTH, RANGE 6 WEST, N.M., P.M., COLORADO		
Section 19:	Fractional, All	450.68
" 20:	Lots 1, 2, 3, 4; S/2 N/2; N/2 NE/4; N/2 NW/4 (Fractional, All)	448.96
" 21:	Lots 1, 2, 3, 4; S/2 N/2; NW/4 NW/4	328.40
" 22:	Lots 1, 2, 3, 4; SW/4 NE/4; S/2 NW/4	246.24
TOWNSHIP 32 NORTH, RANGE 7 WEST, N.M., P.M., COLORADO		
Section 23:	Lot 1; E/2 NE/4	119.60
" 24:	Fractional, All	475.36
	TOTAL ACRES	13,774.22

Exhibit "A" attached hereto is a map showing the unit area and the known ownership of all land and leases in said area. Exhibit "B" attached hereto is a schedule showing the percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or other changes render such revision necessary, and not less than six copies of the revised exhibits shall be filed with the Oil and Gas Supervisor and two copies with the Commissioner of Public Lands and Oil Conservation Commission, respectively.

The above described unit area shall be expanded or contracted, whenever such action is necessary or desirable to conform with the purposes of this agreement, in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as Director, or on demand of the New Mexico Commissioner of Public Lands, hereinafter referred to as Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

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

(c) Upon expiration of the 30 day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator.

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

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

UNITIZED SUBSTANCES 3. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

UNIT OPERATOR 4. Amerada Petroleum Corporation is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances.

The Unit Operator may resign as Unit Operator whenever not in default under this agreement, but no Unit Operator shall be relieved from the duties and obligations of Unit Operator for a period of 6 months after it has served notice of intention to resign on all owners of working interests subject hereto and the Director and Commissioner unless a new Unit Operator shall have been selected and approved and shall have assumed the duties and obligations of Unit Operator prior to the expiration of said 6-month period. Unless a successor operator is selected and approved and assumes the duties and obligations of operator prior to the effective date of the retiring operator's relinquishment of duties, the retiring operator must place all wells drilled hereunder in a satisfactory condition for suspension or abandonment as may be required by the Supervisor or by the Commissioner under applicable operating regulations. Provided, however, where a participating area or areas have been established and such area or areas are capable of producing unitized substances in paying quantities, the resignation of the Unit Operator shall not become effective until a successor Unit Operator has been selected and shall have assumed its duties. Upon default or failure in the performance of its duties or obligations under this agreement the Unit Operator may be removed by a majority vote of owners of working inter-

ests determined in like manner as herein provided for the selection of a successor Unit Operator. Prior to the effective date of relinquishment by or within 6 months after removal of Unit Operator, the duly qualified successor Unit Operator shall have an option to purchase on reasonable terms all or any part of the equipment, material and appurtenances in or upon the land subject to this agreement, owned by the retiring Unit Operator and used in its capacity as such Operator, or if no qualified successor operator has been designated, the working interest owners may purchase such equipment, material and appurtenances. At any time within the next ensuing 3 months any equipment, material and appurtenances not purchased and not necessary for the preservation of wells may be removed by the retiring Unit Operator, but if not removed shall become the joint property of the owners of unitized working interests in the participating area or, if no participating area has been established, in the entire unit area. The termination of the rights as Unit Operator under this agreement shall not terminate the right, title or interest of such Unit Operator in its separate capacity as owner of interests in unitized substances.

SUCCESSOR UNIT OPERATOR 5. Whenever the Unit Operator shall relinquish the right as Unit Operator or shall be removed, the owners of the unitized working interests in the participating area on an acreage basis, or in the unit area on an acreage basis until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the working interests qualified to vote shall be required to select a new Unit Operator; Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of at least one additional working interest owner shall be required to select a new operator. Such selection 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 Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Commissioner, at their election, may declare this unit agreement terminated.

UNIT ACCOUNTING AGREEMENT 6. If the Unit Operator is not the sole owner of working interests, all costs and expenses incurred in conducting unit operations hereunder and the working interest benefits accruing hereunder shall be apportioned among the owners of unitized working interests in accordance with

a unit accounting agreement by and between the Unit Operator and the other owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit Accounting Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement and in case of any inconsistency or conflict between this unit agreement and the unit accounting agreement this unit agreement shall prevail. Three true copies of any unit accounting agreement executed pursuant to this section shall be filed with the Supervisor and one true copy with the Commissioner.

RIGHTS AND OBLIGATIONS OF UNIT OPERATOR 7. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing and disposing of the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

The Unit Operator shall pay all costs and expenses of operation with respect to the unitized land. If and when the Unit Operator is not the sole owner of all working interests, such costs shall be charged to the account of the owner or owners of working interests and the Unit Operator shall be reimbursed therefor by such owners and shall account to the working interest owners for their respective shares of the revenue and benefits derived from operations hereunder, all in the manner and to the extent provided in the unit accounting agreement. The Unit Operator shall render each month to the owners of unitized interests entitled thereto an accounting of the operations on unitized land during the previous calendar month, and shall pay in value or deliver in kind to each party entitled thereto a proportionate

and allocated share of the benefits accruing hereunder in conformity with operating agreements, leases or other independent contracts between the Unit Operator and the parties hereto either collectively or individually.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by the Unit Operator of all obligations for such development and operation with respect to each and every part or separately owned tract of land subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto or any of them.

SECTION 7-a. Notwithstanding any provision to the contrary in Section 7, or any other section of this agreement, all parties signatory to this agreement hereby agree that each and every one of the owners of the working interests in lands unitized under the agreement shall have:

(1) The right to take in kind that proportionate share of the unitized substances which is allocated or allocable to his working interest in accordance with the provisions of this agreement;

(2) The right to personally sell such proportionate share;

(3) The right to revoke at will any authorization in this agreement empowering a representative (or representatives) to sell his proportionate share of the unitized substances if that representative (or representatives) is authorized to sell the share of more than one owner.

An owner who also acts in a representative capacity shall be regarded as being "authorized to sell the shares of more than one owner" as the phrase is used in the foregoing sentence, if he also sells or directs the sale of any part of his own share.

DRILLING TO DISCOVERY 8. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a loca-

tion to be approved by the Supervisor if such location is upon lands of the United States and if upon State lands or patented lands such location shall be approved by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as "Commission", unless on such effective date a well is being drilled conformably with the terms hereof; and thereafter continue such drilling diligently to a depth of 9,000 feet, or to the base of the Dakota Sandstone, whichever is reached first, unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit), or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, as to wells on Federal lands, and the Commission, as to wells on State or patented lands, that further drilling of said well would not be warranted. If the first or any subsequent test well fails to result in the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor, if on Federal lands, and the Commission, if on State or patented lands, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign, as provided in Section 4 hereof, after any well drilled under this section is placed in a satisfactory condition for suspension or is plugged and abandoned pursuant to applicable regulations. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted. Upon failure to comply with the drilling provisions of this section, the Director and the Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated.

PLAN OF FURTHER DEVELOPMENT AND OPERATION 9. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the

Commissioner and the Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner and the Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner and the Commission a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for exploration of the unitized area and for the determination of the commercially productive area thereof in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Commissioner and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing oil and gas in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

PARTICIPATION AFTER DISCOVERY 10. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as

required by the Supervisor and the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner and the Commission a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of first production. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying qyantities or to exclude land then regarded as reasonably proved not to be productive, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month following the date of first authentic knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive apportionment of any sums accrued or paid for production obtained prior to the effective date of revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director, the Commissioner and the Commission as to the proper definition or redefinition of a participating area, or until a participating area has,

or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor and the amount thereof deposited with the district land office of the Bureau of Land Management or as directed by the Supervisor and with the Commissioner of Public Lands, respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal or State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal lands, the Commissioner as to wells on State lands and the Commission as to patented lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

ALLOCATION OF PRODUCTION 11. All unitized substances produced from each participating area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the said participating area. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area.

DEVELOPMENT OR OPERATION ON NON-PARTICIPATING LAND 12. Any party hereto, other than the Unit Operator, owning or controlling a majority of the working interests in any unitized land not included in a participating area and having thereon a regular well location in accordance with a well spacing pattern established under an approved plan of development and operation may

drill a well at such location at his own expense, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well is not drilled by the Unit Operator and results in production such that the land upon which it is situated may properly be included in a participating area, the party paying the cost of drilling such well shall be reimbursed as provided in the unit accounting agreement for the cost of drilling similar wells in the unit area, and the well shall be operated pursuant to the terms of this agreement as though the well had been drilled by the Unit Operator.

If any well drilled by the Unit Operator or by an owner of working interests, as provided in this section, obtains production insufficient to justify inclusion of the land on which said well is situated in a participating area, said owner of working interests, at his election, within 30 days after determination of such insufficiency, shall be wholly responsible for and may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by the Unit Operator and said owner of working interests elects to operate said well, he shall pay the Unit Operator a fair salvage value for the casing and other necessary equipment left in the well.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interest other than the Unit Operator shall be operated and produced pursuant to the conservation requirements of this agreement. Royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

ROYALTIES AND RENTALS 13. Royalty on each unitized tract shall be paid or delivered by the parties obligated therefor as provided by existing leases, contracts, laws and regulations at the lease or contract rate upon the unitized substances allocated to the tract. Nothing herein contained shall operate to relieve the lessees of Federal, State or patented lands from their obligations under the terms of their respective leases to pay rentals and royalties.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized

substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases or at such lower rate or rates as may be authorized by law or regulations; provided that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Unitized substances produced from any participating area and used therein in conformance with good operating practice for drilling, operating, camp or other production or development purposes or under an approved plan of operation for repressuring or cycling said participating area, or for development outside of such participating area if for the purposes of drilling exploratory wells or for camps or other purposes benefiting the unit as a whole, shall be free from any royalty or other charge except as to any products extracted from unitized substances so used. If Unit Operator introduces gas for which royalties have been paid into any participating area hereunder from sources other than such participating area for use in repressuring, stimulation of production, or increasing ultimate production in conformity with a plan first approved by the Supervisor and the Commissioner, a like amount of gas may be sold without payment of royalty as to dry gas but not as to the products extracted therefrom; provided, that gas so introduced shall bear a proportionate and equitable share of plant fuel consumption and shrinkage in the total volume of gas processed from such participating area; and, provided further, that such withdrawal shall be at such time as may be provided in the plan of operation or as may otherwise be consented to by the Supervisor, the Commissioner and the Commission as conforming to good petroleum engineering practice; provided, however, that such right of withdrawal royalty free shall terminate upon termination of the unit agreement.

Each working interest owner and lessee presently responsible for the payment of rentals, or his successor in interest, shall be responsible for and shall pay all rentals of whatsoever kind on his respective lease. Rental or minimum royalty for land of the United States subject to this agreement shall be paid at the rate specified in the respective Federal leases or such rental

or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and applicable regulations. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases, or may be reduced or suspended upon the order of the Commissioner of Public Lands of the State of New Mexico pursuant to applicable laws and regulations. Rentals on privately owned lands subject to this agreement shall be paid as provided in Section 16 hereof.

CONSERVATION 14. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances, to the end that the maximum efficient yield may be obtained without waste, as defined by or pursuant to State or Federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

DRAINAGE 15. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal lands, by the Commissioner for State lands and the Commission as to patented lands.

LEASES AND CONTRACTS CONFORMED TO AGREEMENT 16. The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Director and the Commissioner, respectively, may, and the Director and the Commissioner by their approval of this agreement do, establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

Said parties further consent and agree, and the Director and Commissioner by their respective approvals hereof determine, that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be

operations under and for the benefit of all unitized leases embracing land of the United States and of the State of New Mexico; and that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced; and that all leases or other contracts concerning such land, except as otherwise provided herein, shall be modified to conform to the provisions of this agreement and shall be continued in force and effect beyond their respective terms during the life of this agreement. Any Federal lease for a term of 20 years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force until the termination hereof. Any other Federal lease committed hereto shall continue in force as to the committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered under the unitized land prior to the expiration date of the primary term of such lease. Authorized suspension of all operations and production on the unitized land shall be deemed to constitute authorized suspension with respect to each unitized lease.

The parties hereto holding interests in privately owned land within the unit area consent and agree, to the extent of their respective interests, that each such lease may be continued in effect beyond the primary term of such lease and during the term of this agreement; provided, however, that delay rentals payable under any privately owned lease in lieu of drilling shall not be suspended during the primary term of any such lease, and annually thereafter, except as to all or any portion thereof on an acreage basis that may be included in a participating area hereunder. Except as in this section otherwise provided, all leases or other contracts concerning such land shall be modified to conform to the provisions of this agreement and shall be continued in force and effect during the life of this agreement; that drilling and producing operations conducted on any tract of land committed to this agreement will be accepted and deemed to be performed on and for the benefit of each and every tract of such privately owned land committed hereto; that no lease affecting said privately owned land shall be deemed to expire by reason of failure to drill or to produce wells situated on such lands; and that authorized suspension of all operations and production on unitized land shall be deemed to

constitute authorized suspension with respect to all unitized leases affecting privately owned lands.

COVENANTS RUN WITH LAND 17. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest.

EFFECTIVE DATE AND TERM 18. This agreement shall become effective upon approval by the Director and the Commissioner and shall terminate in 5 years after such date, unless (a) such date of expiration is extended by the Director and the Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formation tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities (to-wit: quantities sufficient to pay the cost of producing operations with a reasonable profit), and, should production cease so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid; or (d) it is terminated as provided in section 5 or section 8 hereof. This agreement may be terminated at any time by not less than 75 percentum, on an acreage basis, of the owners of working interests signatory hereto with the approval of the Director and the Commissioner.

all parties cannot terminate before 5 yrs

RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION 19. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director and Commissioner are hereby vested with authority to alter or modify from time to time, in their discretion, after agreement, the rate of prospecting and development and, within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any lands of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

DETERMINATIONS BY UNIT OPERATOR AND REVIEW THEREOF 20. All determinations under this agreement for which no specific method of determination is provided elsewhere in this agreement shall be made by the Unit Operator, subject to the approval of the Director, the Commissioner and the Commission. Notice of any such determination by the Unit Operator, accompanied by data in support thereof, shall be furnished to the Director through the Supervisor and directly to the Commissioner and the Commission. If, after reviewing all the available evidence, the Director and the Commissioner find that the determination reviewed is incorrect they shall advise the Unit Operator accordingly, stating the reasons therefor, and thereupon such determination shall be of no force and effect. The Unit Operator shall then make a new determination in conformity with the finding of the Director and the Commissioner or appeal to the Commission as provided in the rules of the Commission. All determinations made by the Unit Operator pursuant to this section shall be effective unless and until altered, modified or rescinded as herein provided.

Any party hereto shall have the right to request the Director and the Commissioner (such request to be accompanied by appropriate supporting evidence) to review any determination made by the Unit Operator pursuant to this section not previously reviewed on appeal to the Commission. Such request will be granted or denied in the discretion of the Director and the Commissioner within 60 days after being received. If the request for review is granted and thereafter the Director and the Commissioner find that the determination should be altered, modified or rescinded, the Unit Operator shall be advised accordingly and shall either comply with the finding of the Director and the Commissioner or appeal to the Commission.

CONFLICT OF SUPERVISION 21. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability for delay or failure in whole or in part to comply therewith to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, with the exercise of due diligence, the concurrence of the representatives of the United States and the representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

UNAVOIDABLE DELAY 22. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, lockouts, acts of God, Federal, State or municipal laws or agencies, unavoidable accidents, uncontrollable delays in

transportation, inability to obtain necessary materials in open market or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

COUNTERPARTS 23. This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document, or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto. Any separate counterpart, consent or ratification duly executed after approval hereof by the Director and the Commissioner shall be effective on the first day of the month next following the filing thereof with the Supervisor and Commissioner, unless objection thereto is made by the Director and Commissioner and notice of such objection is served upon the appropriate parties within 60 days after such filing.

FAIR EMPLOYMENT 24. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and an identical provision shall be incorporated in all subcontracts.

LOSS OF TITLE 25. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join this unit agreement, so that such tract is not committed to this unit agreement, there shall be such readjustment of participation as may be required on account of such failure of title. In the event of a dispute as to title or as to any interest in unitized land, the Unit Operator may withhold payment or delivery on account thereof without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds shall be deposited with the district land office of the Bureau of Land Management or as directed by the Supervisor and with the Commissioner of Public Lands of the State of New Mexico, respectively, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

NO PARTNERSHIP 26. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted hereunder, shall

create or be deemed to have created a partnership or association between the parties hereto or any of them.

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

OPERATOR

DATE: May 10, 1950
ATTEST:
Assistant Secretary

AMERADA PETROLEUM CORPORATION

By
Vice President

WORKING INTEREST OWNERS

DATE:
ATTEST:

STANOLIND OIL AND GAS COMPANY

Secretary

By
President

DATE:

H. H. Phillips

DATE: Dec. 2, 1949
ATTEST:

BYRD-FROST, INC.

Secretary

By
Vice President

DATE:

P. B. English

DATE:
ATTEST:

WESTERN NATURAL GAS COMPANY

Assistant Secretary

By
Vice-President

DATE:

Roland Hauck

DATE:

Harold T. White, Jr.

DATE: January 24, 1950

John K. Schemmer

DATE: May 10-1950
ATTEST:

AMERADA PETROLEUM CORPORATION

Assistant Secretary

By
Vice President

creats or be deemed to have created a partnership or association between the parties hereto or any of them.

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

OPERATOR

DATE: _____
ATTEST:

AMERADA PETROLEUM CORPORATION

_____
Assistant Secretary

By _____
Vice President

WORKING INTEREST OWNERS

DATE: December 2, 1949
ATTEST:

STANOLIND OIL AND GAS COMPANY

APPROVED
JCW
ese

_____
Assistant Secretary

By _____
Vice President

DATE: _____

_____
H. H. Phillips

DATE: _____
ATTEST:

BYRD-FROST, INC.

_____
Secretary

By _____
President

DATE: _____

_____
P. B. English

DATE: _____
ATTEST:

WESTERN NATURAL GAS COMPANY

_____
Secretary

By _____
President

DATE: _____

_____
Roland Hauck

DATE: _____

_____
Harold T. White, Jr.

DATE: _____

_____
John K. Schemmer

DATE: _____
ATTEST:

AMERADA PETROLEUM CORPORATION

_____
Assistant Secretary

By _____
Vice President

create or be deemed to have created a partnership or association between the parties hereto or any of them.

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

OPERATOR

DATE: _____
ATTEST:

AMERADA PETROLEUM CORPORATION

_____
Assistant Secretary

By _____
Vice President

WORKING INTEREST OWNERS

DATE: _____
ATTEST:

STANOLIND OIL AND GAS COMPANY

_____
Secretary

By _____
President

DATE: March 16, 1950

H. H. Phillips

DATE: _____
ATTEST:

BYRD-FROST, INC.

_____
Secretary

By _____
President

DATE: _____

_____
P. B. English

DATE: _____
ATTEST:

WESTERN NATURAL GAS COMPANY

_____
Secretary

By _____
President

DATE: _____

_____
Roland Hanck

DATE: _____

_____
Harold T. White, Jr.

DATE: _____

_____
John K. Schemmer

DATE: _____
ATTEST:

AMERADA PETROLEUM CORPORATION

_____
Assistant Secretary

By _____
Vice President

CORPORATE (WYOMING, MONTANA, COLORADO, NEW MEXICO)

STATE OF Texas)
) SS:
COUNTY OF Dallas)

On this 2 day of December, 1949, before me appeared Jack Frost, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Byrd-Frost, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Jack Frost acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 2 day of December, 1949.

My commission expires:
NAOMA WILLIAMS
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1951

Naoma Williams
Notary Public

STATE OF TEXAS)
) SS:
COUNTY OF HARRIS)

On this 12th day of JANUARY, 1950, before me appeared J. V. COVAN, to me personally known, who, being by me duly sworn, did say that he is the Vice President of [illegible], and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. V. Covan acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 12th day of JANUARY, 1950.

ROBERT E. JINKS
NOTARY PUBLIC, HARRIS COUNTY, TEXAS
MY COMMISSION EXPIRES JUNE 1, 1951

My commission expires: _____

[illegible]
Notary Public

STATE OF Oklahoma)
) SS:
COUNTY OF Tulsa)

On this 10 day of May, 1950, before me appeared Leslie L. Porter, to me personally known, who, being by me duly sworn, did say that he is the Vice President of [illegible], and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Leslie L. Porter acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 10 day of May, 1950.

My commission expires:
[illegible]

[illegible]
Notary Public

INDIVIDUAL
KANSAS, OKLAHOMA, NEBRASKA, SOUTH DAKOTA
NEW MEXICO AND ARIZONA

POOR COPY

STATE OF Texas)
) SS
COUNTY OF Dallas)

Before me, Leola Cundiff, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared P. B. English, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 8 day of February, 1950.

My commission expires:

LEOLA CUNDIFF
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1951

Leola Cundiff
Notary Public

STATE OF _____)
) SS
COUNTY OF _____)

Before me, _____, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as _____ free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My commission expires:

_____
Notary Public

_____

STATE OF _____)
) SS
COUNTY OF _____)

Before me, _____, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as _____ free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My commission expires:

_____
Notary Public

_____

POOR COPY

INDIVIDUAL
KANSAS, OKLAHOMA, NEBRASKA, SOUTH DAKOTA
NEW MEXICO AND ARIZONA

STATE OF New York)
) SS
COUNTY OF New York)

Shirley Barron

Before me, ~~JOHN K. SCHEMMEL~~, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared JOHN K. Schemmel, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 25th day of January, 1950.

My commission expires:
SHIRLEY BARRON
Notary Public in the State of New York
Residing in New York County
N.Y. Co. Clk's No. 6-6, Reg. No. 1385-B-0
Nassau County Clerk's No. 59-B-50
Commission Expires March 30, 1950

Shirley Barron
Notary Public

STATE OF New York)
) SS
COUNTY OF New York)

Before me, Elsie M. Gillard, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared Roland M. Heuck, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 26th day of January, 1950.

Elsie M. Gillard
Notary Public

My commission expires:

ELSIE M. GILLARD
Notary Public, State of New York
No. 41-1453800
Qualified in Queens County
Certificates filed with N. Y. County
Clerks and Registers Office
Term Expires March 30, 1951

STATE OF New York)
) SS
COUNTY OF New York)

Before me, Elsie M. Gillard, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared Harold I. Shein, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 26th day of January, 1950.

Elsie M. Gillard
Notary Public

My commission expires:

ELSIE M. GILLARD
Notary Public, State of New York
No. 41-1453800
Qualified in Queens County
Certificates filed with N. Y. County
Clerks and Registers Office
Term Expires March 30, 1951

CORPORATE (WYOMING, MONTANA, COLORADO, NEW MEXICO)

STATE OF Texas)
) SS:
COUNTY OF Dallas)

On this 2 day of December, 1947, before me appeared Jack Frost, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Rand-Frost, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Jack Frost acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 2 day of December, 1947.

My commission expires:
NAOMA WILLIAMS
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1951

Naoma Williams
Notary Public

STATE OF TEXAS)
) SS:
COUNTY OF HARRIS)

On this 12th day of January, 1950, before me appeared J. V. Colvin, to me personally known, who, being by me duly sworn, did say that he is the Pres. President of Colvin Motor Co., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. V. Colvin acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 12th day of January, 1950.

ROBERT E. JINKS
NOTARY PUBLIC, HARRIS COUNTY, TEXAS
MY COMMISSION EXPIRES JUNE 1, 1951

My commission expires: _____

_____
Notary Public

STATE OF Oklahoma)
) SS:
COUNTY OF Tulsa)

On this 10 day of May, 1950, before me appeared Earl A. Foster, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Continental Supply Co., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Earl A. Foster acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 1950.

My commission expires: _____

_____
Notary Public

CORPORATE (WYOMING, MONTANA, COLORADO, NEW MEXIC

STATE OF _____)
) SS:
COUNTY OF _____)

On this _____day of _____, 19___, before me appeared

_____, to me personally known,
who, being by me duly sworn, did say that he is the _____President of

_____, and that the seal affixed to
said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of
Directors, and said _____acknowledged said instrument
to be the free act and deed of said corporation.

Given under my hand and seal this _____day of _____, 19___.

My commission expires:

_____

_____
Notary Public

STATE OF Oklahoma)
) SS:
COUNTY OF Pawnee)

On this 2nd day of December, 1942, before me appeared

J. E. Reese, to me personally known,
who, being by me duly sworn, did say that he is the Vice President of

STANOLIND OIL AND GAS COMPANY, and that the seal affixed to
said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of
Directors, and said J. E. Reese acknowledged said instrument
to be the free act and deed of said corporation.

Given under my hand and seal this 2nd day of December, 1942.

My commission expires:
My Commission Expires Feb. 5, 1953

Catherine B. Anderson
Notary Public

STATE OF _____)
) SS:
COUNTY OF _____)

On this _____day of _____, 19___, before me appeared

_____, to me personally known,
who, being by me duly sworn, did say that he is the _____President of

_____, and that the seal affixed to
said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of
Directors, and said _____acknowledged said instrument
to be the free act and deed of said corporation.

Given under my hand and seal this _____day of _____, 19___.

My commission expires:

_____

_____
Notary Public

INDIVIDUAL

KANSAS ,OKLAHOMA, NEBRASKA, SOUTH DAKOTA
NEW MEXICO AND ARIZONA

STATE OF Texas)
) SS
COUNTY OF Bexar)

Before me, Ruby Lee Hooks, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared L. H. Phillips, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 16th day of March, 1950.

My commission expires:
June 1, 1951

Ruby Lee Hooks
Notary Public

STATE OF _____)
) SS
COUNTY OF _____)

Before me, _____, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as _____ free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My commission expires:

_____
Notary Public

_____

STATE OF _____)
) SS
COUNTY OF _____)

Before me, _____, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as _____ free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My commission expires:

_____
Notary Public

_____

GAS BALANCING AGREEMENT

ALLISON UNIT

POOR COPY

Attached to and made a part of Unit Operating Agreement
(or Unit Accounting Agreement) dated November 15, 1949

1.

In accordance with the terms of the Unit Operating Agreement (hereinafter also referred to as Unit Accounting Agreement when applicable) to which this Agreement is attached, each party shall take its share of oil and gas in kind and separately dispose of its proportionate share of the oil and gas produced from the wells ~~(as used hereinafter the term "well(s)" shall mean participating area or non-commercial unit well as defined within the context of the subject Unit Agreement and Unit Operating Agreement)~~ on the leases within the Contract Area. In the event any party hereto fails, or is unable, to take and market its share of the gas as produced for any reason, the terms of this Agreement shall automatically become effective.

2.

As long as any gas produced from any of said wells is subject to the regulations of the Federal Energy Regulatory Commission (FERC), or any successor governmental authority, under any section of the Natural Gas Act, the Natural Gas Policy Act of 1978 (NGPA), or other statutory authority, which establishes maximum lawful prices for the gas, each party should receive its allocated share of the category of gas in accordance with its interest in production from said well. It is the intent of this Agreement that balancing of gas taken will be based upon the allocated volumes of each category of gas. Any deregulated gas shall be treated as a separate category for purposes of balancing.

3.

During any period or periods when a party fails, or is unable, to take and market its full share of gas produced, each of the other parties shall be entitled to but not obligated to, take and deliver to its purchaser its proportionate part of all of such gas production not taken by others. Each party failing to take or market its full share of the gas as produced shall be considered underproduced by a quantity of gas equal to its share of the gas produced from the lease, less such party's share of the gas taken by such party or in behalf of such party, vented, lost, or used in lease operations. Those parties which are capable of taking and marketing the underproduced quantity 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 each underproduced party in the direct proportion that said producing party's interest bears to the total interest of all parties taking underproduced gas and each of said producing parties shall be considered to be overproduced. All gas (including overproduction or make-up) taken and marketed by a party in accordance with the terms of this Agreement, 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.

4.

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 described Operating Agreement, whether or not such parties are actually producing and marketing gas at such time.

5.

The Operator will maintain appropriate accounting on a monthly and cumulative basis of the quantities of gas each party is entitled to receive and the quantities of gas taken and marketed by each of the parties. For the sole purpose of implementing the terms of this Agreement and adjusting gas imbalances which may occur, each party disposing of gas from the lease 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 sixty (60) days after the end of each report period, the Operator shall upon written request of non-operator furnish each such party a statement showing the status of the overproduced and underproduced accounts of all parties. All gas volumes under this paragraph will be identified by the appropriate category provided under the NGPA or any other law or regulation in effect. In the event deregulation occurs, the gas volumes will be identified additionally in that category. Each party to this Gas Balancing Agreement agrees that it will not utilize any information obtained hereunder for any purpose other than implementing the terms of this Gas Balancing Agreement.

6.

Any party who is underproduced as to a given category of gas shall endeavor to bring its taking of gas of that category into balance. After written notice to the Operator, any party may begin taking and delivering to its purchaser(s) its full share of each category of gas produced. To allow for the recovery and make up of underproduced gas in a category and to balance the gas account for the interests, the underproduced party or parties for a category of gas shall after written notice to the Operator, also be entitled to take up to an additional fifty percent (50%) of the monthly quantity of that category of gas attributable to each overproduced party. In the event there is more than one underproduced or overproduced party, unless otherwise agreed, each underproduced or overproduced party's share of make-up gas shall be in the direct proportion of its interest to the total interests of all underproduced or overproduced parties taking or furnishing make-up gas. The first gas made up shall be assumed to be the first gas underproduced. Gas production from other well(s) under this Agreement cannot be used for the purpose of balancing underproduction from the particular well where an imbalance occurs.

7.

If at the termination of gas production of a given category of gas, 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 such gas production permanently ceases. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction. If an overproduced party did not sell its gas but otherwise utilized such gas in its own operations, such gas will be valued at the maximum price which the overproduced party could have received for such gas at the time of overproduction under such party's sales contract, or, if none, the weighted average price received by all other parties for their gas sold at that time. That portion of the monies collected by each overproduced party which is subject to refund by orders of the FERC, may be withheld by the overproduced party until such prices are fully approved by the FERC, unless each underproduced party furnishes a bond or corporate undertaking agreement acceptable to the overproduced party to hold the overproduced party harmless from financial loss due to orders by the FERC.

8.

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

9.

Each party shall pay, or cause to be paid, all production and severance taxes due on all volumes of gas actually utilized or sold for its own account.

10.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser the full well stream for a period not to exceed seventy-two (72) hours to meet the deliverability test required by its purchaser.

11.

The parties recognize that at some time after the date of this Agreement, legislation, judicial decision(s) or executive action may cause part or all of the then remaining gas reserves subject to this Agreement to be deregulated and no longer be subject to Federal price regulation. If in such an event an imbalance exists between the parties as to a given category of gas which is deregulated, a monetary settlement of such imbalance between the parties shall be made. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction, up to and including the date deregulation occurs. After such monetary settlement has been fully made for any imbalance that existed for a given category of gas on the date of price deregulation, this Agreement shall continue to apply to all gas produced from lands covered by the Operating Agreement.

12.

Nothing herein shall be construed as ever altering, amending or negating any agreement heretofore entered into by any party hereto obligating such party to pay any overriding royalty, payment out of production or royalties payable under any lease out of its interest regardless of whether such party is or is not taking or selling its full share of production.

13.

This Agreement shall remain in force and effect as long as the Unit 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.

242032-00

UNIT ACCOUNTING AGREEMENT UNDER

ALLISON UNIT AGREEMENT

THIS AGREEMENT, Made and entered into as of the 15th day of November, 1949, by and between AMERADA PETROLEUM CORPORATION, a corporation, hereinafter called "Unit Operator", party of the first part, and STANOLIND OIL AND GAS COMPANY, a corporation; H. H. PHILLIPS; BYRD-FROST, INC., a corporation; P. B. ENGLISH; WESTERN NATURAL GAS COMPANY, a corporation; ROLAND HAUCK; HAROLD T. WHITE, JR.; JOHN K. SCHEMMER and AMERADA PETROLEUM CORPORATION, a corporation, and such other owners of working interests in the unitized substances, underlying lands and leases within the boundary lines of the Allison Area Unit, hereinafter referred to as "Unit Area", as may now or hereafter execute this agreement, parties of the second part.

W I T N E S S E T H T H A T

WHEREAS, the parties hereto have executed as of the date hereof a Unit Agreement for the unit or cooperative development and operation of the said Unit Area, located in Township 32 North, Ranges 6 and 7 West, San Juan County, New Mexico, and La Plata and Archuleta Counties, Colorado; and

WHEREAS, the parties hereto are owners of the oil and gas operating rights in the area embraced in said Unit Agreement, as shown on Exhibit "B" thereof, and desire to set forth their respective rights and obligations and the manner in which the Unit Area is to be developed and produced for oil, gas and other hydrocarbon substances.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained and the mutual benefits to be derived by the parties hereto, it is agreed as follows:

1. UNIT AREA: The land described in Section 2 of the Unit Agreement, and shown within the heavy dashed lines on Exhibit "A" thereof, and any enlargement or contraction of such area as may be made in the manner provided for in said Unit Agreement are hereby designated and recognized as the "Unit Area".

2. PARTICIPATION IN PRODUCTION: For the purpose of calculating the interests of the parties hereto in production from such Unit Area there shall be deducted 12½% of the total production from the Unit Area, less any part thereof used by Unit Operator for production, development, repressuring, recycling or unavoidably lost; such 12½% portion so deducted to be delivered in kind or paid in value to the parties hereto in each participating area which may be established and such 12½% portion to be allocated between such parties in the same manner as production is allocated under the provisions of Section 11 of the Unit Agreement, (it being understood that each party hereto in each participating area shall be responsible for delivering in kind or making payment of all royalties, overriding royalties and production payments, if any, which are attributable to each lease or agreement whereunder it derives its working interest rights in each tract of land located in any participating area), in conformity with the further provisions of Section 21 hereof.

After making such deductions, the balance of production from the Unit Area shall be apportioned between the parties hereto in the following percentages:

Amerada Petroleum Corporation	89.264511%
Stanolind Oil and Gas Company	.684975%
H. H. Phillips	.580795%
Byrd-Frost, Inc.	4.389150%
P. B. English	1.463050%
Western Natural Gas Company	2.411679%
Roland Hauck	.301460%
Harold T. White, Jr.	.150730%
John K. Schemmer	.753650%

The above percentages shall remain fixed except as otherwise provided in Sections 9 and 25 herein, regardless of what lands may be excluded from the Unit Area or of what lands may be added to or excluded from a participating area; provided, however, that in the event additional lands be-

longing to any party hereto are included within the Unit Area, adjustment of said percentages shall be made, by agreement of the parties hereto, and in the event additional lands not belonging to a party hereto are added to the Unit Area, the owner of the operating rights therein upon becoming a party to the Unit Agreement shall be entitled to that percentage of participation agreed upon by such owner and the parties hereto, and such percentage shall be made up by deduction, as agreed upon by the parties hereto, from the respective percentages of the parties hereto at that time.

3. DISPOSITION OF PRODUCTION: Each party hereto shall own, and at its own expense take in kind or separately dispose of, the percentage of production to which it is entitled as provided in Section 2 hereof, provided that any extra cost incurred by Unit Operator by delivering production in kind to any party hereto shall be borne by such party, and provided, further, that at such times as any party shall fail or refuse to take in kind or separately dispose of his or its percentage of production as aforesaid, Operator shall have the authority, revocable at will, to purchase such production or to sell the same to others at the same price which Operator receives for its percentage of production. All such sales by Operator shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale exceed a period of one (1) year.

4. JOINT EXPENSE: All costs of drilling, developing, operating and abandoning the Unit Area, except as otherwise provided in Section 9 hereof, are herein designated "Joint Expense", meaning and including the items set forth in the "Accounting Procedure" attached hereto, marked Exhibit "A" and made a part hereof, and such other items as are hereinafter specifically made chargeable to Joint Expense and each party shall share in Joint Expense in the percentages stated in Section 2.

5. UNIT OPERATOR: AMERADA PETROLEUM CORPORATION is hereby designated as Unit Operator of the Unit Area. It shall be the obligation of the Unit Operator, as such, to conduct and manage operations on the Unit Area for the discovery, development and operation for oil, gas and other hydrocarbon substances, as required under the terms of the Unit Agreement. Unit Operator may resign and relinquish its rights as such and the parties hereto shall select the successor Unit Operator, all as provided in the Unit Agreement.

6. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: The exclusive right and privilege, except as otherwise specified hereinafter in this agreement, of exercising any and all rights necessary or convenient for development and production of unitized substances is hereby vested in the Unit Operator. This agreement shall constitute and define the Unit Operator's rights, privileges, and obligations in the premises, provided nothing herein shall be construed to transfer title to any land, oil and/or gas rights, licenses or leases to Unit Operator, as such; it being understood that Unit Operator, as such, shall have only rights of possession and use for purposes herein specified.

Subject to the other provisions of this agreement and of the said Unit Agreement, Unit Operator shall:

(a) Conduct all drilling, development, producing and associated operations on the Unit Area on behalf of the parties hereto with reasonable diligence and ordinary care and in accordance with good oil field and engineering practices, and shall adequately test all formations wherein any show of oil or gas is encountered which in the opinion of a prudent operator requires testing.

(b) To the extent possible without conflict with the requirements of the Unit Agreement, all operations hereunder shall be conducted by Unit Operator in such manner as will result in the avoidance of unnecessary waste (physical as well as economic) of unitized substances and in the most equitable development of the premises with respect to the interests of the parties hereto.

(c) Keep true and correct records of its operations hereunder, which shall be open to inspection of the parties hereto during all business hours, and shall furnish each party with all statements and information as provided in the Accounting Procedure attached hereto and marked Exhibit "A"

and made a part hereof.

(d) Furnish the parties with copies of logs of all wells drilled in the Unit Area and the parties shall have full access to all cores, cuttings and other geological and well data secured by the Unit Operator in its operations hereunder.

(e) Furnish each party daily drilling reports and daily and monthly reports showing the status of development and operations upon the premises and any party shall have the right to enter upon the premises for the purpose of gauging or measuring oil, gas or other unitized substances produced hereunder, and for all other purposes under this agreement.

(f) Furnish all labor and materials for operations under this agreement. Any employees of Unit Operator engaged in operations under this agreement shall be and remain the separate employees of the Unit Operator.

(g) Keep the premises and all personal property used in connection with such operations free of liens and incumbrances of every character arising from such operations.

(h) At all times while operations are conducted for the joint account of the parties hereto, carry insurance to indemnify, protect and save the parties harmless as follows:

(1) Employers' Liability and Workmen's Compensation Insurance in accordance with the laws of the States of Colorado and New Mexico.

(2) Public Liability Insurance with limits of not less than One Hundred Thousand Dollars ($100,000.00) as to any one person, and One Hundred Thousand Dollars ($100,000.00) as to any one accident;

(3) Automobile Public Liability Insurance with limits of not less than Fifty Thousand Dollars ($50,000.00) as to any one person, and One Hundred Thousand Dollars ($100,000.00) as to any one accident, and Automobile Property Damage Insurance with a limit of not less than Five Thousand Dollars ($5,000.00);

(4) Carry no other insurance for the benefit of the parties hereto except as above provided and, in event of any loss, claim or damage which may arise from operations carried on under the provisions of this agreement not covered by insurance, each party agrees to pay its proportion of such losses, claims, damages and judgments, together with all expenses and costs in connection therewith;

(5) The Unit Operator shall not be liable to the parties hereto for any loss accruing to them by reason of Unit Operator's inability to procure or maintain the insurance aforementioned. Unit Operator agrees that if at any time during the life of this agreement it is unable to maintain such insurance, it shall immediately notify the other parties of that fact. Unit Operator shall advise the other parties immediately of any loss or claim for damages.

(i) Give prompt notice to all parties hereto of any determination made by it pursuant to Section 20 of the Unit Agreement.

(j) Not discriminate against any employee or applicant for employment because of race, creed, color or national origin and an identical provision shall be incorporated in all sub-contracts.

(k) Comply with all State and Federal laws and regulations governing the development and exploitation of oil and gas fields, saving to each party its right to protest or contest any regulation or the enforcement thereof.

(l) Make all other expenditures chargeable hereunder as "Joint Expense".

(m) Prosecute or defend all litigation arising out of the operations hereunder and any party hereto may join in the prosecution or defense of such litigation, subject to the provisions of paragraph 8 in the Accounting Procedure, marked Exhibit "A".

(n) Comply with and require compliance of others doing work upon the Unit Area under the direction of the Unit Operator with the requirements of any applicable State and Federal compensation, [redacted], unemployment and similar applicable laws with respect to any work or operation conducted by Unit Operator under this agreement, and the cost of such insurance and compliance shall be included in "Joint Expense", where such expense is incurred for the joint benefit of the parties hereto.

(o) Take all proper steps for the protection of surface owners' land, buildings, improvements and other real property and use thereof, growing crops, livestock and other personal property against damage occasioned by the operations to be conducted hereunder and pay such damages as may result

directly or indirectly from said operations. The cost of such steps, payments and reimbursement to be charged to "Joint Expense".

7. LIMITATIONS ON UNIT OPERATOR: The Unit Operator shall not do any of the following without first obtaining the concurrence of parties hereto owning a total of at least 92% of the working interest in the Allison Unit:

(a) Locate, drill or let any contract for drilling any well or wells, deepen or plug back a well;

(b) Make any proposed expenditure in excess of Five Thousand Dollars($5,000.00) except regular monthly operating expenses and emergency expenditure necessary for the protection of the property and employees;

(c) Submit to the Federal Oil and Gas Supervisor, hereinafter referred to as"Supervisor",the New Mexico Commissioner of Public Lands, hereinafter referred to as"Commissioner", and the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as "Commission", any plan for development of the Unit Area, or amendment thereof, as provided in Section 9 of the Unit Agreement;

(d) Designate or make any proposed enlargement or contraction of the Unit Area or any participating area.

8. INITIAL TEST WELL OR WELLS: SUBSEQUENT DEVELOPMENT: Unit Operator shall drill the initial test well at the time and location and in the manner prescribed by the Unit Agreement, and if it is not productive of unitized substances in paying quantities, the Unit Operator shall drill such additional test wells as may be agreed upon by the parties hereto and approved pursuant to the Unit Agreement.

Should the initial or any subsequent well result in the production of oil or gas, or other unitized substances, in commercial quantities, the same shall be operated and produced in accordance with this agreement and Unit Operator shall submit to the parties hereto, for their approval, a plan for the further development of the Unit Area as provided in Section 9 of the Unit Agreement. The Unit Operator shall also submit to the parties hereto, for their approval, a schedule of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule, on approval of the Director, the Commissioner and the Commission, to constitute a participating area, as provided in Section 10 of the Unit Agreement.

A "test well" within the meaning of this agreement is defined as any well drilled prior to the discovery of oil or gas in commercial quantities from a particular formation under the Unit Area in an attempt to discover oil or gas in such formation and the term shall include the discovery well. The expressions "commercial quantities", "commercial production" and "paying quantities", as used in this agreement, are each defined as meaning production in quantities sufficient to pay the cost of drilling, equipping and producing with a reasonable profit.

9. RIGHT TO DRILL WITHOUT APPROVAL: No well shall be drilled within the Unit Area except as provided for under any existing plan approved by the Supervisor, the Commissioner and the Commission for the future drilling and development program for the Unit Area, except for the initial test well, or such additional test wells as may be required under the Unit Agreement; provided that any party hereto, other than the Unit Operator, as such, owning or controlling a majority of the working interests in any unitized land, not included within a participating area, and having thereon a regular well location in accordance with a well spacing pattern established under an approved plan of development and operation may drill a well at such location at its own cost, risk and expense, unless, within ninety (90) days of receipt of notice from said party of its intention to drill the well, the Unit Operator, as such, elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well is drilled by any party hereto or by the Unit Operator not acting as such and shall be completed as a producing well such that the land upon which it is situated may properly be included in a participating area, the well shall be operated pursuant to the terms of this agreement as though it had been drilled by the Unit Operator and the party drilling such well shall receive 200% of the total cost and expense of drilling, testing and completing same, payable out of the first production therefrom remaining after payment of all royalty charges, deductions for amounts used by Unit Operator for production, developing, repressuring, recycling, or unavoidably lost and deductions for operating expenses. The total cost of drilling, testing and completing said well shall be computed in accordance with this agreement and Exhibit "A", attached hereto. The completion of the well as referred to above means completion into

the separator in case of a gas well and into stock tanks of not to exceed five hundred (500) barrels capacity in the case of an oil well. After the drilling party has received an amount equal to 200% of the cost of drilling, testing and completing such well as herein defined, the production thereafter shall be apportioned as provided in Section 2 hereof, with all costs and expenses thereafter apportioned as provided in Section 4 hereof.

If such well is drilled by any party hereto or by the Unit Operator not acting as such, as provided in this section, and obtains production insufficient to justify inclusion of the land on which said well is situated in a participating area, and the fact of such insufficiency shall be concurred in by the Supervisor and the Commissioner, the party who drilled such well, at its election, within thirty (30) days after determination of such insufficiency by the Supervisor and the Commissioner, shall be wholly responsible for and may operate and produce the well at its sole cost and expense and for its sole benefit; the percentages of ownership in the Unit Area not being affected thereby. If the drilling of the well was financed by parties other than the Working Interest Owners on the well tract, such Working Interest Owners may at any time take over the well by reimbursing the parties financing the same for the unrecovered portion of the drilling and operating costs thereof; but, if the parties who financed any such well desire to abandon the same, the Working Interest Owners on the well tract shall have first opportunity to take over and operate the well by payment of the fair salvage value of the casing and other necessary equipment left in the well, provided also that, if the Working Interest Owners on the well tract do not elect to take over and operate such well, any other party hereto so electing may take over the well on said salvage basis, and in any case, if such rights are not exercised, the well shall be plugged and abandoned at the cost of the parties who financed such well.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interests, other than the Unit Operator as such, shall be operated pursuant to the terms and provisions of the Unit Agreement. Royalties in amount or value of production from any such well shall be paid as specified in the lease affected.

10. MATERIALS FURNISHED BY OPERATOR FOR JOINT ACCOUNT: All facilities, materials, supplies and equipment purchased or furnished by Unit Operator and included in "Joint Expense" shall be owned by the parties in the same percentages in which they share joint expense. With the consent of the parties, and subject to provisions of any leases or licenses and to the provisions of this agreement, Unit Operator may remove from time to time from the premises all surplus derricks, machinery, rigs, pipe, casing and other property and improvements placed on said premises under the provisions of this agreement; provided, however, that upon removal by Unit Operator of any said property, the cost of which shall have been included in "Joint Expense" hereunder, Unit Operator, unless it sells such property to a third person, not a party hereto, shall account for and pay to each party its share of the value of said property at the time of removal in accordance with the terms of Exhibit "A" - "Accounting Procedure", attached hereto. If Unit Operator shall sell any of such property so removed from said premises instead of retaining the same and paying the parties their share of the value thereof, as above provided, then, in the event of such sale, Unit Operator shall account to the parties for their share of the proceeds of such sale; provided, however, that before Unit Operator shall consummate any sale of such property (other than junk) to a third party, not a party hereto, it shall first afford the parties hereto the privilege of purchasing such property at the same price and upon the same terms as it contemplates the disposal thereof to such third party. It is understood and agreed between the parties hereto that all such facilities, materials, supplies and equipment furnished by Unit Operator and not charged as "Joint Expense" shall be and remain the sole property of the Unit Operator and the removal and disposition thereof shall be at the election of the Unit Operator.

11. WORK LET BY CONTRACT: Unless otherwise agreed to between the parties, all drilling of wells, when practicable, shall be let by contract under competitive bidding, approved by the parties. For ordinary operations which do not involve substantial costs, Unit Operator, if it so desires, may employ its own tools and equipment but, in such event, the charge therefor shall be in accordance with Exhibit "A" and such work shall be performed under the terms and conditions as shall be customary and usual in contracts of independent contractors who are doing work of a similar nature.

12. ADVANCES: Unit Operator shall have the right to demand and receive from the parties advance payments on costs of drilling or installation required to be performed by Unit Operator. Unit Operator may present to each of the parties an itemized estimate of the costs for the succeeding thirty (30) day period, requesting payment of such parties' proportionate share thereof. Within fifteen (15) days after receipt of such notice each party shall pay its proportionate share of such estimate. Adjustments between monthly estimates and actual costs shall be made by Unit Operator and accounts of the parties shall be adjusted accordingly.

13. CURRENT RATE OF PRODUCTION: The current rate of production from wells in the Unit Area shall be determined by Unit Operator in a manner acceptable to the parties hereto and in such determination Unit Operator shall give consideration to the ability of the wells to produce in conformity with good engineering practice and applicable Federal and State Regulations and Orders.

14. REVISION OF UNIT LANDS:

(a) When, by drilling or development, acreage in the Unit Area is reasonably demonstrated to the satisfaction of the parties hereto to be non-productive of oil or gas in commercial quantities, the parties may reduce the Unit Area so as to exclude the acreage so found by the parties to be non-productive in commercial quantities, as provided in the Unit Agreement; and the acreage thus excluded shall be released from this Agreement, but such exclusions shall not alter the percentages set forth in Sections 2 and 4 herein with respect to participation in production and joint expenses as to the remainder of the Unit Area.

(b) Whenever production from a new well or wells not within a participating area established for the pool or deposit from which such production is obtained is such that continued operation thereof will, in the opinion of any party hereto, result in a financial loss to it and the other parties are unwilling to agree to its abandonment, subject to the approval of the Supervisor and the Commissioner, the party not desiring to abandon said well shall tender to the parties desiring to abandon said well a sum equal to such party's

proportionate share in the salvage of the material and equipment in said well or wells, determined in accordance with the provisions of Exhibit "A" hereto attached, and upon receipt of said sum the party or parties wishing to abandon said well or wells shall assign and convey to the other parties his or its rights in said well or wells situated, together with the right to use the surface around said well or wells to the extent of a 40-acre legal subdivision or fractional lot on which each such well is situated. Any production thereafter obtained from operations of said well or wells by the parties not desiring to abandon shall be allocated to the land on which the said well or wells is located; provided, however, that the rights in and to said well or wells so assigned and conveyed shall be confined to the formation or formations to which said well or wells are producing. Nothing herein contained, however, shall alter the percentages set forth in Section 2 herein with respect to participation in production and joint expenses as to the remainder of the Unit Area.

15. SURRENDER OF LANDS: Nothing in this agreement contained shall be construed as in any way prohibiting the exercise of all or any of the rights of surrender acquired or held under any oil or gas lease, operating agreements, or other agreements, as to all or any part of the lands covered hereby, and such rights of surrender are specifically reserved; provided, however, that no lands, or operating rights therein, shall be surrendered unless or until eliminated from the Unit Area pursuant to revision, as provided in Section 14 hereof.

16. REPRESENTATIVE OF THE PARTIES: The representative of each party shall be designated in writing prior to any drilling to be conducted hereunder, which representative shall continue as such until his power is revoked and a new representative shall be appointed to act for and in behalf of his principal in matters requiring joint action or approval.

17. TRANSFER OF PROPERTY: Should any party desire to sell, assign or transfer all or any part of his interest in the lands covered hereby, the other parties hereto shall have a preferential right to purchase the same; provided, however, no such sale, assignment or transfer shall be made prior to the completion of the initial test well required to be drilled under the terms of the Unit Agreement, whether as a producing well or a dry hole. In such event the selling party shall promptly communicate to the other parties the

offer received by it from a purchaser ready, willing and able to purchase the same, together with the name and address of such purchaser, and the other parties shall thereupon have an option for a period of ten (10) days after receipt of said notice to purchase said interest, said purchase to be at the same price as that offered by the outside purchaser. The limitation of this paragraph shall not apply where any corporate party hereto desires to dispose of its interest by merger, transfer to a subsidiary or affiliated company or sell all of its assets. If the other parties hereto elect not to purchase the interest of the selling party and such interest is sold to an outside purchaser, said purchaser shall take subject to the provisions of this agreement. If such transfer be of less than its entire oil and gas rights the representative of the transferring party shall continue as the sole representative for the transferee and the transferer and for their respective oil and gas rights in all matters requiring joint action, approval and authority, and the decision of such representative shall be binding upon such transferee and its oil and gas rights. Should the transfer be of its entire oil and gas rights, then, until said transferee shall have designated a representative and shall have so notified Unit Operator and the other parties hereto in writing, the decision of the representatives of the other parties shall be binding upon such transferee and its oil and gas rights in all matters herein requiring joint action, approval or authority.

18. COVENANTS TO RUN WITH THE LAND: This agreement shall run with the lands until terminated and any grant, transfer, assignment or other agreement with respect to any of the Unit Area or of any oil and/or gas rights therein, or of any interest in the production therefrom or allocable thereto shall be conditioned on the recognition and assumption of all the rights and obligations hereunder by the grantee, transferee, assignee or other successor in interest, insofar as they are applicable to the assigned interest. Provided, however, that this provision is not intended to apply to the rights of a purchaser of the oil or gas when produced nor to the transportation thereof; and provided, further, nothing in this agreement is intended to prevent any party from mortgaging or otherwise encumbering its rights or property but any mortgage or encumbrance shall be made subject to this agreement.

19. ROYALTIES AND RENTALS: After the acceptance of the titles by Unit Operator, as provided in Section 25 herein, each party hereto shall pay in value or deliver in kind according to the rights of the parties established by underlying leases or agreements all royalties due upon production allocated to unitized land and shall pay all rentals or minimum royalties due on unitized lands in accordance with the terms of the leases or operating agreements by virtue of which said parties hereto hold title to an interest in the Unit Area. Each party will be solely and individually liable for all royalties, overriding royalties, bonuses, lease rentals, acreage rentals, delay rentals, well rentals, premiums on its lease or other bonds and all other obligations required to be paid or delivered by it under any lease, assignment, operating or other agreements with respect to the Unit Lands committed by it to this agreement.

20. DEFAULT, LIENS AND COLLECTION RIGHTS: In the event any party shall fail to pay

(a) any sum or sums due under this agreement on the due date thereof, or

(b) any royalties, rentals or obligations due land-owners, lessors or royalty owners required to be paid by said parties under this agreement, and Unit Operator, at its option, shall have advanced the same,

then in either case said indebtedness shall thereafter bear interest at the rate of six percent (6%) per annum and Unit Operator shall have a lien for the payment thereof, including interest, upon all of said defaulting party's interest in the oil and gas produced in the Unit Area and upon the proceeds or the right to the proceeds therefrom and upon defaulting party's interest in any and all facilities, structures, leasehold interests and operating rights upon, in or pertaining to all of the lands in the Unit Area, and Unit Operator shall have the right, and the same is hereby granted, to demand, collect, receive and apply to the indebtedness any and all sums and proceeds payable or to be delivered to said defaulting party pursuant to this agreement or pursuant to any contract for the sale of any oil or gas produced from the Unit Area, which said lien and which said right to demand, collect and receive shall exist until all defects are cured; provided, however, that any lien, remedy or right shall not be exclusive nor operate to release the delinquent party from its full

liability to pay any and all amounts due and owing, nor to deprive Unit Operator of any additional rights and remedies at law or in equity for the recovery of the indebtedness.

In the event Unit Operator shall default hereunder by failing or neglecting to comply fully with any covenants or obligations under this agreement, or under any operating agreement or lease, or by omitting or committing any act in consequence of which the rights of any party in the premises or any portion thereof shall be jeopardized in any manner, the party whose rights are jeopardized shall have the right, in addition to such other remedies it may have and without waiver thereof, to notify Unit Operator of such default, with a copy of said notice to the other parties, and to request that such default be promptly remedied and if Unit Operator shall fail or neglect, within sixty (60) days after the giving of such notice, to commence promptly and in good faith to repair or correct the failure or default complained of and thereafter diligently continue in efforts to repair or correct such default the party giving notice shall have the right, but shall not be required, to enter upon the portion of the premises with respect to which such default exists and to remedy such default, in which event a sum representing each party's portion of the expenses incurred by the party remedying the default shall upon rendition of written statement therefor forthwith be paid by the other parties to the party remedying the default and said party remedying the default shall have the lien and collection rights as are herein accorded to Unit Operator under the first paragraph of this section.

21. FORCE MAJEURE: Anything in this agreement or any portion thereof or in any leases and operating agreements or any other agreements to the contrary notwithstanding, it is hereby expressly agreed that the obligation of any party hereunder shall be suspended while it is prevented from complying therewith, in whole or in part, by weather conditions, labor disturbances, civil disorders, war, acts of God, unavoidable accidents, rules and regulations of any Federal, State or other governmental agency under asserted authority, or for any other reason or circumstances beyond its control, other than financial.

22. NOTICES: All notices, statements or communications required to be made under the provisions of this agreement and all moneys payable hereunder shall be mailed to the following addresses:

Amerada Petroleum Corporation
P. O. Box 2040
Tulsa, Oklahoma,

Stanolind Oil and Gas Company
Stanolind Building
Tulsa, Oklahoma,

H. H. Phillips
306 Milam Building
San Antonio 5, Texas,

Byrd-Frost, Inc.
1110 Tower Petroleum Building
Dallas 1, Texas,

P. B. English
Western Natural Gas Company
Roland Hauck
Harold T. White, Jr.
John K. Schemmer
c/o Byrd-Frost, Inc.
1110 Tower Petroleum Building
Dallas 1, Texas.

Any party, or the successors or assigns of any party, may at any time, by written notice to the parties hereto, change the address to which notices, statements or communications shall be sent.

23. TERM: This agreement shall become effective upon the effective date of the Unit Agreement and shall remain in effect during the life of the Unit Agreement; provided that this agreement may be terminated at any time by the mutual consent of all of the parties hereto.

24. OWNERSHIP OF WELLS AND FACILITIES, EASEMENTS: Except as otherwise provided in Section 9, all wells drilled and facilities installed in the Unit Area for unit operations shall be owned by the parties in the percentages stated in Section 2.

In the event this agreement be terminated, an adjustment in accordance with said stipulated percentages shall be made with respect to ownership and use of facilities installed at joint expense so as to permit continued operations by interested parties and each party shall accord to the other, without compensation, such rights of way or easements over its lands as it shall have the power to grant, as are proper for the operation by said other party.

25. TITLES: Each party hereto represents that it is now the owner of an interest in one or more of the tracts of land in the Unit Area. The nature and extent of such ownership is shown on the schedule attached as Exhibit "B" to the Allison Unit Agreement. Within ten (10) days after the effective date of this agreement, each party hereto shall furnish Unit Operator for its examination:

(a) as to fee and state lands, an up-to-date abstract of title covering and affecting such interest, together with such original and supplemental title opinions as may be available and copies of its leases, assignments and operating or other agreements; and

(b) as to lands of the United States an acceptable up-to-date status report, prepared by a competent and reputable examiner; an abstract or abstracter's or attorney's certificate showing examination of the county records; and copies of its leases, assignments and operating or other agreements.

Unit Operator shall examine and coordinate all title opinions furnished and attempt to secure such curative matter which it may be called upon to do and all expenses incurred in connection with such examination of titles shall be charged to "Joint Expense"; and each party hereto severally shall pay the cost of curative work on its own titles.

Unit Operator shall, after examination of all titles furnished by the parties hereto, including examination of titles to land of Unit Operator, advise the parties hereto whether it accepts or rejects title to each of the tracts of land included in such unit and furnish the parties hereto copies of its title opinions, status reports, leases, assignments and rental receipts and, upon request, shall also furnish any other title information upon which the title opinions were based, and the parties hereto shall accept or reject titles within thirty (30) days after receipt of such title opinions. Following notification by any party hereto of title deficiency under any of the leases subject to this agreement, the party whose title is affected may thereafter have an opportunity to cure such defects. Title to any land not approved by the parties hereto will thereafter be excluded from the operation of this agreement and the party committing such lands thus excluded shall sustain the entire loss occasioned by such defect in or failure of title. The true owner of any interest which may be lost to the parties hereto upon becoming a party to this agreement shall be entitled to that percentage of par-

ticipation agreed upon by such owner and the parties hereto and such percentage shall be made up by a deduction from the respective interest of the party contributing the acreage on which title failed and the fixed interests of participation of the parties hereto, set out in Section 2 hereof, shall then be adjusted accordingly.

Upon approval or acceptance of title, the parties hereto shall sustain any loss occasioned by any defect in or failure of title in the proportion of the participation of the parties hereto in the unit lands at the time of such loss. Except, if such loss be occasioned by carlessness or failure on the part of any party hereto, the loss shall be sustained by such party. If the true owner of the interest which may be lost to the parties hereto commits his interest to this agreement, there shall be an appropriate adjustment of the percentages of participation of the parties hereto in the ratio set forth in Section 2 hereof, and if such true owner fails or refuses to commit his interest in the Allison Area Unit the acreage so affected shall be eliminated from this agreement and the Allison Unit Agreement.

26. NO PARTNERSHIP CREATED: Nothing herein contained shall create or be deemed to have created a co-partnership between the parties hereto or to render them liable as co-partners.

27. RELEASE BY ASSIGNMENT TO PARTIES HERETO: Should any party hereto desire to be released from its obligations and liabilities not already accrued under this agreement, it may tender to the other parties hereto an assignment or conveyance transferring or conveying to such other parties all of its operating rights in the Unit Area, including all of its rights under the Unit Agreement and this agreement; provided, however, that no party shall be released from its obligations and liabilities under this agreement prior to the completion of the initial test well required to be drilled under the terms of the Unit Agreement, whether as a producing well or a dry hole. The other parties shall have a period of thirty (30) days within which to elect whether or not to accept said tender and, if accepting, all future obligations of the party assigning shall cease and determine as of the date of acceptance, and the party or parties accepting such tender shall pay to the party assigning its

proportionate share of the salvage value of all recoverable equipment then located on the property affected by such transfer or assignment. In the event that none of the other parties elect to accept said tender within said thirty (30) day period, then this agreement shall terminate and the parties will take such steps as may be necessary to effect termination of the Unit Agreement and the cost of abandonment of operations and the plugging of any wells shall be a joint expense.

28. ABANDONMENT OF WELLS: The Unit Operator may abandon any well drilled in the Unit Area, subject to the provisions of Sec. 14 (b), when it determines that said well is no longer capable of producing oil or gas in paying quantities, as defined in the Unit Agreement, and such determination is concurred in by the Supervisor and the Commissioner.

29. FUNCTIONS AND RIGHTS UNDER AGREEMENT: It is recognized that the primary obligation of the Unit Operator is to perform the obligations of the Unit Agreement and that the rights of the United States and all private lessors, including the States of Colorado and New Mexico, are governed thereby but that as between the parties hereto their rights and obligations shall be controlled by the provisions of this agreement.

30. SUCCESSORS AND ASSIGNS: All of the covenants, conditions, stipulations and obligations herein contained shall inure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

31. EFFECT OF PARAGRAPH HEADINGS: The paragraph headings appearing in this agreement are not to be construed as interpretations of the text but are inserted for purposes of convenience in reference only.

IN WITNESS WHEREOF, The parties hereto have executed the foregoing agreement as of the day and year first in this agreement written.

ATTEST:

Assistant Secretary

AMERADA PETROLEUM CORPORATION

By _____
Vice President

ATTEST:

_____
Secretary

STANOLIND OIL AND GAS COMPANY

By _____
President

proportionate share of the salvage value of all recoverable equipment then located on the property affected by such transfer or assignment. In the event that none of the other parties elect to accept said tender within said thirty (30) day period, then this agreement shall terminate and the parties will take such steps as may be necessary to effect termination of the Unit Agreement and the cost of abandonment of operations and the plugging of any wells shall be a joint expense.

28. ABANDONMENT OF WELLS: The Unit Operator may abandon any well drilled in the Unit Area, subject to the provisions of Sec. 14 (b), when it determines that said well is no longer capable of producing oil or gas in paying quantities, as defined in the Unit Agreement, and such determination is concurred in by the Supervisor and the Commissioner.

29. FUNCTIONS AND RIGHTS UNDER AGREEMENT: It is recognized that the primary obligation of the Unit Operator is to perform the obligations of the Unit Agreement and that the rights of the United States and all private lessors, including the States of Colorado and New Mexico, are governed thereby but that as between the parties hereto their rights and obligations shall be controlled by the provisions of this agreement.

30. SUCCESSORS AND ASSIGNS: All of the covenants, conditions, stipulations and obligations herein contained shall inure to the benefit of and be binding upon the parties hereto, their respective successors and assigns.

31. EFFECT OF PARAGRAPH HEADINGS: The paragraph headings appearing in this agreement are not to be construed as interpretations of the text but are inserted for purposes of convenience in reference only.

IN WITNESS WHEREOF, The parties hereto have executed the foregoing agreement as of the day and year first in this agreement written.

ATTEST:

AMERADA PETROLEUM CORPORATION

_____
Assistant Secretary

By _____
Vice President

ATTEST:

STANOLIND OIL AND GAS COMPANY

_____
Assistant Secretary

By _____
VICE President

APPROVED
KDW
ese

H. H. Phillips

ATTEST:

BYRD-FROST, INC.

_____
Secretary

By _____
President

_____
P. B. English

ATTEST:

WESTERN NATURAL GAS COMPANY

_____
Secretary

By _____
President

_____
Roland Hauck

_____
Harold T. White, Jr.

_____
John K. Schemmer

H. H. Phillips

ATTEST:

Secretary

BYRD-FROST, INC.

By
Vice President

P. B. English

ATTEST:

Assistant Secretary

WESTERN NATURAL GAS COMPANY

By
Vice President

Roland Hauck

Harold T. White, Jr.

John K. Schemmer

STATE OF Texas)
) SS
COUNTY OF Dallas)

Before me, Leola Cundiff, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared P. B. English, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 8 day of February, 19 50.

My commission expires:

LEOLA CUNDIFF
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1951

Leola Cundiff
Notary Public

CORPORATE (WYOMING, MONTANA, COLORADO, NEW MEXICO)

STATE OF Texas)
) SS:
COUNTY OF Dallas)

On this 2 day of December, 1949, before me appeared Jack Frost, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of Jack-Frost, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Jack Frost acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 2 day of December, 1949

My commission expires:
NAOMA WILLIAMS
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1951

Naoma Williams
Notary Public

STATE OF TEXAS)
) SS:
COUNTY OF HARRIS)

On this 12th day of JANUARY, 1950, before me appeared J. V. COWAN, to me personally known, who, being by me duly sworn, did say that he is the Vice President of WESTERN NATURAL GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. V. COWAN acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 12th day of JANUARY, 1950.

My commission expires:

ROBERT E. JINKS
NOTARY PUBLIC, HARRIS COUNTY, TEXAS
MY COMMISSION EXPIRES JUNE 1, 1951

Robert E. Jinks
Notary Public

STATE OF Oklahoma)
) SS:
COUNTY OF Tulsa)

On this 10 day of May, 1950, before me appeared Earle L. Porter, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of Amerada Petroleum Corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Earle L Porter acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal this 10 day of May, 1950

My commission expires:
February 16-1953

Agnes J. Higgins
Notary Public

INDIVIDUAL
KANSAS ,OKLAHOMA, NEBRASKA, SOUTH DAKOTA
NEW MEXICO AND ARIZONA

STATE OF New York)
) SS
COUNTY OF New York)

Before me, ~~John K.~~ Shirley Barron, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared JOHN K. SCHEMMER, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 25th day of January, 1950.

Shirley Barron
Notary Public

My commission expires:
SHIRLEY BARRON
Notary Public in the State of New York
~~Residing in New York County~~
N.Y. Co. Clk's No. 6, Reg. No. 1385-B-0
Nassau County Clerk's No. 59-B-50
Commission Expires March 30, 1950

STATE OF New York)
) SS
COUNTY OF New York)

Before me, Elsie M. Gillard, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared Roland M. Hauck, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 26th day of January, 1950.

Elsie M Gillard
Notary Public

My commission expires:
ELSIE M. GILLARD
Notary Public, State of New York
No. 41-1433800
Qualified in Queens County
Certificates filed with N. Y. County
Clerks and Registers Office
Term Expires March 30, 1951

STATE OF New York)
) SS
COUNTY OF New York)

Before me, Elsie M. Gillard, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared Harold T. White Jr., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 26th day of January, 1950.

Elsie M. Gillard
Notary Public

My commission expires:
ELSIE M. GILLARD
Notary Public, State of New York
No. 41-1433800
Qualified in Queens County
Certificates filed with N. Y. County
Clerks and Registers Office
Term Expires March 30, 1951

CORPORATE (WYOMING, MONTANA, COLORADO, NEW MEXICO)

STATE OF _____)
) SS:
COUNTY OF _____)

On this _____ day of _____, 19__, before me appeared

_____, to me personally known,
who, being by me duly sworn, did say that he is the _____ President of

_____, and that the seal affixed to
said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of
Directors, and said _____ acknowledged said instrument
to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19__.

My commission expires:

_____

_____
Notary Public

STATE OF Oklahoma)
) SS:
COUNTY OF Tulsa)

On this 2nd day of December, 1949, before me appeared

J. E. Rause, to me personally known,
who, being by me duly sworn, did say that he is the Vice President of

STANOLIND OIL AND GAS COMPANY, and that the seal affixed to
said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of
Directors, and said J. E. Rause acknowledged said instrument
to be the free act and deed of said corporation.

Given under my hand and seal this 2nd day of December, 1949.

My commission expires:
My Commission Expires Feb. 5, 1953

Catherine N. Anderson
Notary Public

STATE OF _____)
) SS:
COUNTY OF _____)

On this _____ day of _____, 19__, before me appeared

_____, to me personally known,
who, being by me duly sworn, did say that he is the _____ President of

_____, and that the seal affixed to
said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its Board of
Directors, and said _____ acknowledged said instrument
to be the free act and deed of said corporation.

Given under my hand and seal this _____ day of _____, 19__.

My commission expires:

_____

_____
Notary Public

INDIVIDUAL
KANSAS ,OKLAHOMA, NEBRASKA, SOUTH DAKOTA
NEW MEXICO AND ARIZONA

STATE OF Texas)
) SS
COUNTY OF Bexar)

Before me, Ruby Lee Hooks, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared W. L. Phillips, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 16th day of March, 19 50.

My commission expires:
June 1, 1951

Ruby Lee Hooks
Notary Public

STATE OF _____)
) SS
COUNTY OF _____)

Before me, _____, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as _____ free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My commission expires:

_____
Notary Public

_____

STATE OF _____)
) SS
COUNTY OF _____)

Before me, _____, a Notary Public in and for the County and State aforesaid, duly commissioned and acting, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as _____ free and voluntary act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____.

My commission expires:

_____
Notary Public

_____

EXHIBIT "A"

Model Form-PASO-1949-1

Attached to and made a part of ALLISON AREA UNIT ACCOUNTING AGREEMENT, SAN JUAN COUNTY, NEW MEXICO, AND LA PLATA AND ARCHULETA COUNTIES, COLORADO.

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. **Definitions**
The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.
The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.
The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. **Statements and Billings**
Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph_____ below:
A. Statement in detail of all charges and credits to the joint account.
B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.
C. Statements, as follows:
(1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;
(2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
(3) Statement of any other receipts and credits.

3. **Payments by Non-Operator**
Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. **Audits**
Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon. 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 accounting hereunder, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. **Rentals and Royalties**
Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. **Labor, Transportation, and Services**
Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property. Labor shall include (A) Operator's cost of vacation, sickness and disability benefits of employees, and expenditures or contributions imposed or assessed by governmental authority applicable to such labor, and (B) Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of like nature, applicable to Operator's field payroll; provided that the charges under Part (B) of this paragraph shall not exceed five per cent (5%) of the total of such labor charged to the joint account.

3. **Material**
Material, equipment, and supplies purchased or furnished by Operator, for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as required for immediate use, and the accumulation of surplus stocks shall be avoided.

4. **Moving Material to Joint Property**
Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from the other properties of Operator, but in either of the last two events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

5. **Moving Surplus Material from Joint Property**
Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus material to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and no charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. **Use of Operator's Equipment and Facilities**
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."

7. **Damages and Losses**
Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

8. **Litigation, Judgments, and Claims**
All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.
   A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
   B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. **Taxes**
All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. **Insurance**
   A. Premiums paid for insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
   B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. **District and Camp Expense**
A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

12. **Overhead**
Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent, the entire staff and expenses of the division office located at _____, and any portion of the office expense of the principal business office located at Tulsa, Oklahoma, _____, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:
   A. $ 150.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
   B. $ 35.00 per well per month for the first five (5) producing wells.
   C. $ 25.00 per well per month for the second five (5) producing wells.
   D. $ 15.00 per well per month for all producing wells over ten (10).
   E. In connection with overhead charges, the status of wells shall be as follows:
      (1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.
      (2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
      (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
      (4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
      (5) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included in the overhead schedule for such month.
      (6) Salt water disposal wells shall not be included in overhead schedule.

F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.

G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Warehouse Handling Charges

(13) Warehouse Handling Charges: To cover the cost of handling material into and in the warehouse, a handling charge not in excess of 5% of the net cost of the material, new or secondhand, placed upon the lease from the Operator's warehouse may be assessed against the joint account, except that: (a) on new tubular goods (2" and over), tanks, derricks, boilers, engines, compressors, pumps, and other major items of equipment, no handling charge shall be assessed against the joint account; (b) on secondhand tubular goods (2" and over), tanks, derricks, boilers, engines, compressors, pumps, and other major items of equipment, a handling charge not in excess of 2-1/2% of the net cost may be assessed against the joint account.

III. 2. A. When a critical shortage of material or equipment exists Operator may make charges to the joint account on the basis of actual cost for outside purchases plus transportation from the point available, as long as such critical shortage exists.

14. **Other Expenditures**
Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. **Purchases**
Material and equipment purchased and service procured shall be charged at price paid by Operator, after deduction of all discounts actually received.

2. **Material Furnished by Operator**
Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:
A. New Material (Condition "A")
(1) New material transferred from Operator's warehouse or other properties shall be priced f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
(2) Other material shall be priced on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account operation where such material is available.
(3) Cash discount shall not be allowed.
B. Used Material (Condition "B" and "C")
(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at 75% of new price.
(2) Material which cannot be classified as Condition "B" but which,
(a) After reconditioning will be further serviceable for original function as good second hand material (Condition "B"), or
(b) Is serviceable for original function but substantially not suitable for reconditioning,
shall be classed as Condition "C" and priced at 50% of new price.
(3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
(4) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. **Warranty of Material Furnished by Operator**
Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

4. **Operator's Exclusively Owned Facilities**
The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:
A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.
B. Automotive Equipment: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck, tractor, and pulling unit rates shall include wages and expenses of driver.
C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.
D. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
E. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell major items of material to an outside party without giving Non-Operator an opportunity either to purchase same at the price offered or to take Non-Operator's share in kind.

1. **Material Purchased by Operator**
Material purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the material is removed from the joint property.

2. **Material Purchased by Non-Operator**
Material purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice. The Operator shall pass credit to the joint account and include the same in the monthly statement of operations.

3. **Division in Kind**
Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party and corresponding credits will be made by the Operator to the joint account, and such credits shall appear in the monthly statement of operations.

4. **Sales to Outsiders**
Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from Vendee. Any claims by Vendee for defective material or otherwise shall be charged back to the joint account, if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. **New Price Defined**
New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. **New Material**
New material (Condition "A"), being new material procured for the joint account but never used thereon, at 100% of current new price.

3. **Good Used Material**
Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning,
   A. At 75% of current new price if material was charged to joint account as new, or
   B. At 75% of current new price less depreciation consistent with their usage on and service to the joint property, if material was originally charged to the joint property as secondhand at 75% of new price.

4. **Other Used Material**
Used Material (Condition "C"), being used material which
   A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
   B. Is serviceable for original function but substantially not suitable for reconditioning,

at 50% of current new price. * See below

5. **Bad-Order Material**
Used material (Condition "D"), being material which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.

6. **Junk**
Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. **Temporarily Used Material**
When the use of material is of a temporary nature and its service to the joint account does not justify the reduction in price as provided in Paragraph 3B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. **Periodic Inventories**
Periodic inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

2. **Notice**
Notice of intention to take inventory shall be given by Operator at least ten days before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.

3. **Failure to be Represented**
Failure of Non-Operator to be represented at the physical inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

4. **Reconciliation of Inventory**
Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

5. **Adjustment of Inventory**
Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall only be held accountable to Non-Operator for shortages due to lack of reasonable diligence.

6. **Special Inventories**
Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property, and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

* Section V - 4-C - Casing and tubing not suitable for its original use but good enough to be used as secondhand line pipe shall be priced as secondhand line pipe according to the provisions of this contract.

El Paso Natural Gas Company

El Paso, Texas

2.0

August 19, 1959

Mr. F. W. Hulsizer
Amerada Petroleum Corporation
Post Office Box 2040
Tulsa 2, Oklahoma

Mr. E. V. Hewitt
Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas

Mr. J. C. Gordon
Three States Natural Gas Company
17th Floor, Corrigan Tower
Dallas 1, Texas

Mr. George A. Works, Jr.
San Jacinto Petroleum Corporation
San Jacinto Building
Houston 2, Texas

Mr. K. P. Moore
Western Natural Gas Company
1006 Main Street
Houston 2, Texas

Mr. H. H. Phillips, Jr.
Phillips Drilling Corporation
314 Milam Building
San Antonio 5, Texas

Re: Allison Unit Accounting Agreement

Gentlemen:

With reference to the Unit Accounting Agreement for the Allison Unit Area dated November 15, 1949, El Paso Natural Gas Company, as Unit Operator, finds it necessary to amend the Exhibit "A" thereto, entitled Allison Unit Accounting Agreement.

Your attention is directed in said Exhibit "A" to Section 12, Overhead, of Part II DEVELOPMENT AND OPERATING CHARGES. Under Subsection E thereof, no provision is expressly made for wells completed in multiple horizons.

We therefore desire to amend said Subsection E of Section 12 by adding thereto the following language:

> '(7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule."

It is further agreed and understood that all the other terms of the said Unit Accounting Agreement and the attached Exhibit "A" Accounting Procedure shall remain in full force and effect and that the provision hereinabove recited shall be construed as being applicable and in full force and effect from the date of inception thereof.

If the foregoing meets with your approval, please indicate your acceptance in the space provided and return all but one signed copy of this letter to this office for our further handling.

This Letter Agreement has been prepared for execution in counterparts.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Ben R. Howell
Ben R. Howell
Attorney in Fact

APPROVED AND ACCEPTED BY:

AMERADA PETROLEUM CORPORATION

BY _____
Vice President

DATE October 12, 1959

This Letter Agreement has been prepared for execution in counterparts.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Ben R. Howell
Ben R. Howell
Attorney in Fact

APPROVED AND ACCEPTED BY:

Three States Natural Gas Company

BY J. M. Kershner Jr.
Vice President

DATE October 26, 1959

This Letter Agreement has been prepared for execution in counterparts.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Ben R. Howell
Ben R. Howell
Attorney in Fact

APPROVED AND ACCEPTED BY:

WESTERN NATURAL GAS COMPANY

BY W. K. DAVIS VICE PRESIDENT

DATE SEPTEMBER 21, 1959

This Letter Agreement has been prepared for execution in counterparts.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Ben R. Howell
Ben R. Howell
Attorney in Fact

APPROVED AND ACCEPTED BY:

PAN AMERICAN PETROLEUM CORPORATION

APPROVED

BY J. L. Hoyt
ATTORNEY-IN-FACT

DATE September 11, 1959

This Letter Agreement has been prepared for execution in counterparts.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Ben R. Howell
Ben R. Howell
Attorney in Fact

APPROVED AND ACCEPTED BY:

SAN JACINTO OIL AND GAS COMPANY

BY B. G. Martin
President

DATE September 15, 1959

This Letter Agreement has been prepared for execution in counterparts.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By Ben R. Howell
Ben R. Howell
Attorney in Fact

APPROVED AND ACCEPTED BY:

PHILLIPS DRILLING CORPORATION

BY H.H. Phillips, Jr., President

DATE November 23, 1959

COPAS — 1962
Recommended by the Council of Petroleum Accountants Societies of North America.

EXHIBIT "A"

Attached to and made a part of Unit Operating Agreement
~~XXXXXXXX~~ Allison Unit Area

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.
"Operator" shall mean the party designated to conduct the Joint Operations.
"Non-Operators" shall mean the nonoperating parties, whether one or more.
"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.
"Parties" shall mean Operator and Non-Operators.
"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 of North America.

2. **Conflict with Agreement**
In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. **Collective Action by Non-Operators**
Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

4. **Statements and Billings**
Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:
A. Statement in detail of all charges and credits to the Joint Account.
B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. **Payment and Advances by Non-Operators**
Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

6. **Adjustments**
Payment of any such bills shall not prejudice the right of any Non-Operators 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 the Joint Property as provided for in Section VII.

7. **Audits**
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 accounting hereunder 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 adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**
Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

2. **Labor**
A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.
B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B 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 2A of this Section II and Paragraph 1 of Section III. 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 labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**
Operator's current cost 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; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. **Material**
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. **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 or railway receiving point where like material is available, except by agreement with Non-Operators.
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 or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of $100 or less.

6. **Services**
A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. **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 any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. **Legal Expense**
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. **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.

10. **Insurance Premiums**
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

11. **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 incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

☐ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
☒ Paragraph 4. (Combined fixed rate)

1. **District Expense**
Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's _____ office located at or near _____ (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

2. **Administrative Overhead**
Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
Well Depth	Each Well	First Five	Next Five	All Wells Over Ten

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 this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. **Operator's Fully Owned Warehouse Operating and Maintenance Expense**
(Describe fully the agreed procedure to be followed by the Operator.)

4. **Combined Fixed Rates**
Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth) Each Well	PRODUCING WELL RATE (Use Current Producing Depth) First Five	Next Five	All Wells Over Ten
All Depths	$400.00	$75.00	$65.00	$55.00

Said fixed rate ~~(shall)~~ (shall not) include salaries and expenses of production foremen.

5. **Application of Administrative Overhead or Combined Fixed Rates**
The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:
A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
B. The status of wells shall be as follows:
(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
(6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
~~D. The well rates shall be adjusted on the first day of April of 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 preceding calendar year 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. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.~~
~~6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:~~
~~A. Total cost less than $25,000, no charge.~~
~~B. Total cost more than $25,000 but less than $100,000, __% of total cost.~~
~~C. Total cost of $100,000 or more, ____ % of the first $100,000 plus ____% of all over $100,000 of total cost.~~
~~Total cost shall mean the total 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 wells shall be excluded.~~
7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. **Purchases**
Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.
2. **Material furnished from Operator's Warehouse or Other Properties**
A. New Material (Condition "A")
(1) Tubular goods, two inch (2") and over, shall be priced ~~on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana)~~ on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. ~~In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.~~
(2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
(3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.
B. Used Material (Condition "B" and "C")
(1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
(2) Material which cannot be classified as Condition "B" but which,
(a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
(3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

(4) 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 prices specified in Paragraphs 1 and 2 of this Section IV 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 procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that 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 10 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.

5. **Equipment and Facilities Furnished by Operator**
A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommeded uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.
B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. **Material Purchased by the Operator or Non-Operators**
Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. **Division in Kind**
Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. **Sales to Outsiders**
Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. **New Price Defined**
New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. **New Material**
New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. **Good Used Material**
Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:
A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. **Other Used Material**
Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:
A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
B. Is serviceable for original function but not suitable for reconditioning.

5. **Bad-Order Material**
Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. **Junk Material**
Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. **Temporarily Used Material**
When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. **Periodic Inventories, Notice and Representation**
At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. 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, who shall in that event furnish Non-Operators with a copy thereof.

2. **Reconciliation and Adjustment of Inventories**
Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. **Special Inventories**
Special inventories may be taken whenever there is any sale or change of interest 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.

El Paso Natural Gas Company

El Paso, Texas

January 14, 1966

TO ALL WORKING INTEREST OWNERS:

Re: Accounting Procedure
Allison Unit
San Juan County, New Mexico

Gentlemen:

Pursuant to the terms of Section 11, Paragraph 12 G of the Accounting Procedure of the Unit Operating Agreement for the captioned Unit, provision is made for adjusting overhead rates in the event such rates are found to be insufficient, in practice, for prudent operation of the unit.

El Paso Natural Gas Company, as Unit Operator of the subject unit, has found that the costs of operation of this Unit have steadily risen over the years to the point that the rates as originally provided have proven to be insufficient to meet the increased operating costs. Therefore, in the interest of proper and efficient administration of the unit, it is deemed necessary that the Operating Agreement be amended to provide a more current and realistic basis for allocating costs and operating expenses. We feel this can best be accomplished using the COPAS form which has become standard in this area.

This letter, when executed, shall evidence your consent and agreement to amend the Unit Operating Agreement by deleting and abolishing the present Accounting Procedure and substituting therefor the attached Accounting Procedure in its entirety. Such consent and agreement shall evidence and constitute a valid and effective Amendment to subject Unit Operating Agreement and shall become effective as of the first day of January, 1966.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By _____
Attorney-in-Fact

AGREED TO AND ACCEPTED this
14th day of Feb., 1966

By _____

El Paso Natural Gas Company

El Paso, Texas

January 14, 1966

TO ALL WORKING INTEREST OWNERS:

Re: Accounting Procedure 2.0
Allison Unit
San Juan County, New Mexico

Gentlemen:

Pursuant to the terms of Section 11, Paragraph 12 G of the Accounting Procedure of the Unit Operating Agreement for the captioned Unit, provision is made for adjusting overhead rates in the event such rates are found to be insufficient, in practice, for prudent operation of the unit.

El Paso Natural Gas Company, as Unit Operator of the subject unit, has found that the costs of operation of this Unit have steadily risen over the years to the point that the rates as originally provided have proven to be insufficient to meet the increased operating costs. Therefore, in the interest of proper and efficient administration of the unit, it is deemed necessary that the Operating Agreement be amended to provide a more current and realistic basis for allocating costs and operating expenses. We feel this can best be accomplished using the COPAS form which has become standard in this area.

This letter, when executed, shall evidence your consent and agreement to amend the Unit Operating Agreement by deleting and abolishing the present Accounting Procedure and substituting therefor the attached Accounting Procedure in its entirety. Such consent and agreement shall evidence and constitute a valid and effective Amendment to subject Unit Operating Agreement and shall become effective as of the first day of January, 1966.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By _____
Attorney-in-Fact

AGREED TO AND ACCEPTED this
___ day of FEB 14 1966, 1966

CASA Inc.

By _____

El Paso Natural Gas Company

El Paso, Texas

January 14, 1966

TO ALL WORKING INTEREST OWNERS:

Re: Accounting Procedure
Allison Unit
San Juan County, New Mexico

Gentlemen:

Pursuant to the terms of Section 11, Paragraph 12 G of the Accounting Procedure of the Unit Operating Agreement for the captioned Unit, provision is made for adjusting overhead rates in the event such rates are found to be insufficient, in practice, for prudent operation of the unit.

El Paso Natural Gas Company, as Unit Operator of the subject unit, has found that the costs of operation of this Unit have steadily risen over the years to the point that the rates as originally provided have proven to be insufficient to meet the increased operating costs. Therefore, in the interest of proper and efficient administration of the unit, it is deemed necessary that the Operating Agreement be amended to provide a more current and realistic basis for allocating costs and operating expenses. We feel this can best be accomplished using the COPAS form which has become standard in this area.

This letter, when executed, shall evidence your consent and agreement to amend the Unit Operating Agreement by deleting and abolishing the present Accounting Procedure and substituting therefor the attached Accounting Procedure in its entirety. Such consent and agreement shall evidence and constitute a valid and effective Amendment to subject Unit Operating Agreement and shall become effective as of the first day of January, 1966.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By _____
Attorney-in-Fact

Provided at least 50% of the working interest owners agree to same.

AGREED TO AND ACCEPTED this 21st day of February, 1966

By _____
Jane Phillips Ladouceur

El Paso Natural Gas Company

El Paso, Texas

January 14, 1966

TO ALL WORKING INTEREST OWNERS:

Re: Accounting Procedure 2.0
Allison Unit
San Juan County, New Mexico

Gentlemen:

Pursuant to the terms of Section 11, Paragraph 12 G of the Accounting Procedure of the Unit Operating Agreement for the captioned Unit, provision is made for adjusting overhead rates in the event such rates are found to be insufficient, in practice, for prudent operation of the unit.

El Paso Natural Gas Company, as Unit Operator of the subject unit, has found that the costs of operation of this Unit have steadily risen over the years to the point that the rates as originally provided have proven to be insufficient to meet the increased operating costs. Therefore, in the interest of proper and efficient administration of the unit, it is deemed necessary that the Operating Agreement be amended to provide a more current and realistic basis for allocating costs and operating expenses. We feel this can best be accomplished using the COPAS form which has become standard in this area.

This letter, when executed, shall evidence your consent and agreement to amend the Unit Operating Agreement by deleting and abolishing the present Accounting Procedure and substituting therefor the attached Accounting Procedure in its entirety. Such consent and agreement shall evidence and constitute a valid and effective Amendment to subject Unit Operating Agreement and shall become effective as of the first day of January, 1966.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By _____
Attorney-in-Fact

WAP

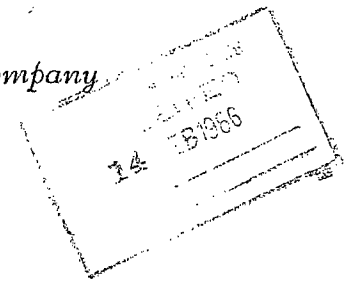
Provided at least 50% of the working interest owners agree to same,
AGREED TO AND ACCEPTED this
15th day of February, 1966

By _____
Winnie A. Phillips

El Paso Natural Gas Company

El Paso, Texas

January 14, 1966



TO ALL WORKING INTEREST OWNERS:

2.0

Re: Accounting Procedure
Allison Unit
San Juan County, New Mexico

Gentlemen:

Pursuant to the terms of Section 11, Paragraph 12 G of the Accounting Procedure of the Unit Operating Agreement for the captioned Unit, provision is made for adjusting overhead rates in the event such rates are found to be insufficient, in practice, for prudent operation of the unit.

El Paso Natural Gas Company, as Unit Operator of the subject unit, has found that the costs of operation of this Unit have steadily risen over the years to the point that the rates as originally provided have proven to be insufficient to meet the increased operating costs. Therefore, in the interest of proper and efficient administration of the unit, it is deemed necessary that the Operating Agreement be amended to provide a more current and realistic basis for allocating costs and operating expenses. We feel this can best be accomplished using the COPAS form which has become standard in this area.

This letter, when executed, shall evidence your consent and agreement to amend the Unit Operating Agreement by deleting and abolishing the present Accounting Procedure and substituting therefor the attached Accounting Procedure in its entirety. Such consent and agreement shall evidence and constitute a valid and effective Amendment to subject Unit Operating Agreement and shall become effective as of the first day of January, 1966.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By _____
Attorney-in-Fact

Provided at least 50% of the working interest owners agree to same, AGREED TO AND ACCEPTED this 15th day of February, 1966

By _____
H. H. Phillips

El Paso Natural Gas Company

El Paso, Texas

January 14, 1966

TO ALL WORKING INTEREST OWNERS:

Re: Accounting Procedure
Allison Unit
San Juan County, New Mexico

Gentlemen:

Pursuant to the terms of Section 11, Paragraph 12 G of the Accounting Procedure of the Unit Operating Agreement for the captioned Unit, provision is made for adjusting overhead rates in the event such rates are found to be insufficient, in practice, for prudent operation of the unit.

El Paso Natural Gas Company, as Unit Operator of the subject unit, has found that the costs of operation of this Unit have steadily risen over the years to the point that the rates as originally provided have proven to be insufficient to meet the increased operating costs. Therefore, in the interest of proper and efficient administration of the unit, it is deemed necessary that the Operating Agreement be amended to provide a more current and realistic basis for allocating costs and operating expenses. We feel this can best be accomplished using the COPAS form which has become standard in this area.

This letter, when executed, shall evidence your consent and agreement to amend the Unit Operating Agreement by deleting and abolishing the present Accounting Procedure and substituting therefor the attached Accounting Procedure in its entirety. Such consent and agreement shall evidence and constitute a valid and effective Amendment to subject Unit Operating Agreement and shall become effective as of the first day of January, 1966.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By _____
Attorney-in-Fact

AGREED TO AND ACCEPTED this
____ day of _____, 1966

Sinclair

By _____
Vice-President

F. H. RHEES

El Paso NATURAL GAS COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

May 15, 1978

Ms. Ruth P. Bisiker
c/o Trust Department
First National Bank in Dallas
Dallas, Texas 75202

Dear Ms. Bisiker:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bottorff
Vice President

TWB:DI:ec

Agreed To and Accepted this
_____day of _____1978.

By_____

APPROVED:
Ruth Phillips Bisiker July 14 1978
RUTH PHILLIPS BISIKER DATE

Allison Unit
90

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
RUTH P. BISIKER
AMENDING ACCOUNTING PROCEDURES

EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
	Allison Unit	San Juan Co., NM	11/15/49

El Paso NATURAL GAS COMPANY

P.O. BOX 1492
EL PASO, TEXAS 79978

PHONE: 915-543-2600

May 15, 1978

Amerada Hess Corporation
P. O. Box 4748
Houston, Texas 77001

Gentlemen:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bittick
Vice President

TWB:DI:ec

Agreed To and Accepted this
30 day of August 1978.
AMERADA HESS CORPORATION

By P A Dysert
P. A. Dysert
Senior Vice President

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
AMERADA HESS CORPORATION
AMENDING ACCOUNTING PROCEDURES

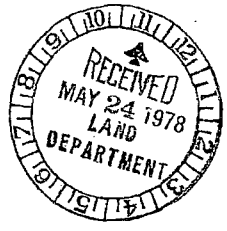
EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
C-300	Helton #1	All Sec. 18-33N-8W LaPlata County, CO	1/1/54
C-5700	Colorado 32-7 #10	Sec. 22 & 23-32N-7W LaPlata County, CO	9/12/63
	Allison Unit	San Juan County, NM	11/15/49

Allison Unit 8.0

El Paso NATURAL GAS COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

May 15, 1978



Mr. H. H. Phillips
314 Milam Bldg.
San Antonio, Texas 78205

Dear Mr. Phillips:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bittick
Vice President

TWB:DI:ec

Agreed To and Accepted this
19th day of May 1978.

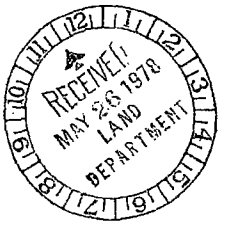
By H. H. Phillips
H. H. Phillips

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
H. H. PHILLIPS
AMENDING ACCOUNTING PROCEDURES

EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
	Allison Unit	San Juan Co., NM	11/15/49

El Paso NATURAL GAS COMPANY

P.O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600



Allison Unit 2.0

May 15, 1978

Castle Inc.
205 North Main St.
Butler, Pennsylvania 16001

Gentlemen:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bittick
Vice President

TWB:DI:ec

Agreed To and Accepted this
22nd day of May 1978.

By L. J. Chamberlain
Treasurer

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
CASTLE INC.
AMENDING ACCOUNTING PROCEDURES

EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
	Allison Unit	San Juan Co., NM	11/15/49

Allison Unit 2.0

El Paso NATURAL GAS COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

May 15, 1978

Winnie A. Phillips
314 Milam Bldg.
San Antonio, Texas 78205

Dear Mr. Phillips:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bittick
Vice President

TWB:DI:ec

Agreed To and Accepted this
19th day of May 1978.

By Winnie A Phillips
Winnie A. Phillips

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
WINNIE A. PHILLIPS
AMENDING ACCOUNTING PROCEDURES

EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
	Allison Unit	San Juan Co., NM	11/15/49

Allison Unit 2.0

El Paso NATURAL GAS COMPANY

P. O. BOX 1492
EL PASO, TEXAS 79978
PHONE: 915-543-2600

May 15, 1978

Ms. Jane Phillips Ladouceur
314 Milam Building
San Antonio, Texas 78205

Dear Ms. Ladouceur:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bittick
Vice President

TWB:DI:ec

Agreed To and Accepted this
19th day of May 1978.

By Jane Phillips Ladouceur
Jane Phillips Ladouceur

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
JANE PHILLIPS LADOUCEUR
AMENDING ACCOUNTING PROCEDURES

EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
	Allison Unit	San Juan County, NM	11/15/49

El Paso NATURAL GAS COMPANY

P. O. BOX 1492
EL PASO, TEXAS
PHONE: 915-543-2600

Allison Unit 2.0

May 15, 1978

Ms. Susanna P. Kelly
Bar K Ranch
Cameron, Montana 59720

Dear Ms. Kelly:

You or your predecessors in title are a party to each of the Operating Agreements described on the attached Exhibit "A". The Accounting Procedures attached to and made a part of each Operating Agreement do not provide for adjustment of overhead rates and the rates presently in effect are unreasonably low. Administrative costs have increased substantially since the Operating Agreements were entered into. El Paso proposes that the Operating Agreements be amended by substituting the attached COPAS-1974 Accounting Procedure for ones presently in use. The rates used in the proposed COPAS-1974 Accounting Procedure are those used by El Paso as of April 1, 1978 for new wells and upon your acceptance of the new Accounting Procedure the new rates will be effective as of June 1, 1978.

EL PASO NATURAL GAS COMPANY

By T. W. Bittick
Vice President

TWB:DI:ec

Agreed To and Accepted this
23 day of May 1978.

By Susanna Phillips Kelly

EXHIBIT "A" TO LETTER
AGREEMENT DATED MAY 15, 1978 BETWEEN
EL PASO NATURAL GAS COMPANY AND
SUSANNA P. KELLY
AMENDING ACCOUNTING PROCEDURES

EPNG FILE	PROPERTY NAME	ACREAGE DESCRIPTION	OPERATING AGREEMENT DATE
	Allison Unit	San Juan Co., NM	11/15/49

Kraftbilt 601, TULSA 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT " "

Attached to and made a part of Letter Agreement dated May 15, 1978

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 of North America.

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

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. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

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 rate of twelve percent (12%) per annum 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.

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.

5. Audits

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 joint or simultaneous audits 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.

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. Rentals and Royalties

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

2. 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.

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 2A of this Section II. Such costs under this Paragraph 2B 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 2A 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 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. 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 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. 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.

5. 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, recognized barge terminal, or railway receiving point where like material is normally available, 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, recognized barge terminal, or railway receiving point 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, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii 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.

7. 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 investment not to exceed eight per cent (8%) 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 7A 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.

8. 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.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments 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.

10. 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.

11. 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 Workmen'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.

12. 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 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 2A, 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 ( ) 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 $ 941

Producing Well Rate $ 180

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

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive 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, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive 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 may be made for the month in which plugging and abandonment operations are completed on any well.

[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 Fields 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 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 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 crew and equipment; 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 $ * :

A. * % of total costs if such costs are more than $_____ but less than $_____; plus

B. * % of total costs in excess of $_____ but less than $1,000,000; plus

C. * % of total 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 shall be excluded.

3. 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 reason, 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 bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds 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 where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

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

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

*To be negotiated.

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

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

C. Other Used Material (Condition C and D)

(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 2A of this Section IV. 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

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the 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 and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(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

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with 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 or change of interest 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.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

GAS BALANCING AGREEMENT

ALLISON UNIT

Attached to and made a part of Unit Operating Agreement
(or Unit Accounting Agreement) dated November 15, 1949

1.

In accordance with the terms of the Unit Operating Agreement (hereinafter also referred to as Unit Accounting Agreement when applicable) to which this Agreement is attached, each party shall take its share of oil and gas in kind and separately dispose of its proportionate share of the oil and gas produced from the wells (~~as used hereinafter the term "well(s)" shall mean participating area or non-commercial unit well as defined within the context of the subject Unit Agreement and Unit Operating Agreement~~) on the leases within the Contract Area. In the event any party hereto fails, or is unable, to take and market its share of the gas as produced for any reason, the terms of this Agreement shall automatically become effective.

2.

As long as any gas produced from any of said wells is subject to the regulations of the Federal Energy Regulatory Commission (FERC), or any successor governmental authority, under any section of the Natural Gas Act, the Natural Gas Policy Act of 1978 (NGPA), or other statutory authority, which establishes maximum lawful prices for the gas, each party should receive its allocated share of the category of gas in accordance with its interest in production from said well. It is the intent of this Agreement that balancing of gas taken will be based upon the allocated volumes of each category of gas. Any deregulated gas shall be treated as a separate category for purposes of balancing.

3.

During any period or periods when a party fails, or is unable, to take and market its full share of gas produced, each of the other parties shall be entitled to but not obligated to, take and deliver to its purchaser its proportionate part of all of such gas production not taken by others. Each party failing to take or market its full share of the gas as produced shall be considered underproduced by a quantity of gas equal to its share of the gas produced from the lease, less such party's share of the gas taken by such party or in behalf of such party, vented, lost, or used in lease operations. Those parties which are capable of taking and marketing the underproduced quantity 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 each underproduced party in the direct proportion that said producing party's interest bears to the total interest of all parties taking underproduced gas and each of said producing parties shall be considered to be overproduced. All gas (including overproduction or make-up) taken and marketed by a party in accordance with the terms of this Agreement, 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.

4.

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 described Operating Agreement, whether or not such parties are actually producing and marketing gas at such time.

5.

The Operator will maintain appropriate accounting on a monthly and cumulative basis of the quantities of gas each party is entitled to receive and the quantities of gas taken and marketed by each of the parties. For the sole purpose of implementing the terms of this Agreement and adjusting gas imbalances which may occur, each party disposing of gas from the lease 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 sixty (60) days after the end of each report period, the Operator shall upon written request of non-operator furnish each such party a statement showing the status of the overproduced and underproduced accounts of all parties. All gas volumes under this paragraph will be identified by the appropriate category provided under the NGPA or any other law or regulation in effect. In the event deregulation occurs, the gas volumes will be identified additionally in that category. Each party to this Gas Balancing Agreement agrees that it will not utilize any information obtained hereunder for any purpose other than implementing the terms of this Gas Balancing Agreement.

6.

Any party who is underproduced as to a given category of gas shall endeavor to bring its taking of gas of that category into balance. After written notice to the Operator, any party may begin taking and delivering to its purchaser(s) its full share of each category of gas produced. To allow for the recovery and make up of underproduced gas in a category and to balance the gas account for the interests, the underproduced party or parties for a category of gas shall after written notice to the Operator, also be entitled to take up to an additional fifty percent (50%) of the monthly quantity of that category of gas attributable to each overproduced party. In the event there is more than one underproduced or overproduced party, unless otherwise agreed, each underproduced or overproduced party's share of make-up gas shall be in the direct proportion of its interest to the total interests of all underproduced or overproduced parties taking or furnishing make-up gas. The first gas made up shall be assumed to be the first gas underproduced. Gas production from other well(s) under this Agreement cannot be used for the purpose of balancing underproduction from the particular well where an imbalance occurs.

7.

If at the termination of gas production of a given category of gas, 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 such gas production permanently ceases. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction. If an overproduced party did not sell its gas but otherwise utilized such gas in its own operations, such gas will be valued at the maximum price which the overproduced party could have received for such gas at the time of overproduction under such party's sales contract, or, if none, the weighted average price received by all other parties for their gas sold at that time. That portion of the monies collected by each overproduced party which is subject to refund by orders of the FERC, may be withheld by the overproduced party until such prices are fully approved by the FERC, unless each underproduced party furnishes a bond or corporate undertaking agreement acceptable to the overproduced party to hold the overproduced party harmless from financial loss due to orders by the FERC.

8.

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

9.

Each party shall pay, or cause to be paid, all production and severance taxes due on all volumes of gas actually utilized or sold for its own account.

10.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser the full well stream for a period not to exceed seventy-two (72) hours to meet the deliverability test required by its purchaser.

11.

The parties recognize that at some time after the date of this Agreement, legislation, judicial decision(s) or executive action may cause part or all of the then remaining gas reserves subject to this Agreement to be deregulated and no longer be subject to Federal price regulation. If in such an event an imbalance exists between the parties as to a given category of gas which is deregulated, a monetary settlement of such imbalance between the parties shall be made. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction, up to and including the date deregulation occurs. After such monetary settlement has been fully made for any imbalance that existed for a given category of gas on the date of price deregulation, this Agreement shall continue to apply to all gas produced from lands covered by the Operating Agreement.

12.

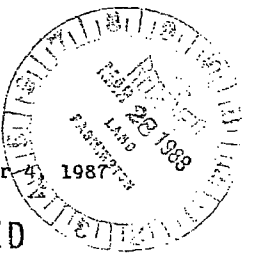
Nothing herein shall be construed as ever altering, amending or negating any agreement heretofore entered into by any party hereto obligating such party to pay any overriding royalty, payment out of production or royalties payable under any lease out of its interest regardless of whether such party is or is not taking or selling its full share of production.

13.

This Agreement shall remain in force and effect as long as the Unit 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.

MERIDIAN OIL

PLEASE RETURN TO
LAND - FARMINGTON



December 4, 1987

RECEIVED
DEC - 7 1987
LEGAL

Tenneco Oil Company
Attention: Mr. David Motloch
Post Office Box 3249
Englewood, Colorado 80155

Re: Gas Balancing Agreements
Federal Units
San Juan Basin

Gentlemen:

Meridian Oil Inc. has proposed that the Unit Operating Agreements covering the below Federal Units be amended to include the attached Gas Balancing Agreement.

Allison Unit	San Juan County, New Mexico
Canyon Largo Unit	San Juan County, New Mexico
Huerfano Unit	San Juan County, New Mexico
San Juan 28-6 Unit	San Juan County, New Mexico
San Juan 29-7 Unit	San Juan County, New Mexico
San Juan 30-6 Unit	San Juan County, New Mexico

Subject to your acceptance of the revisions set out below, this agreement will be effective for the units shown above.

For: the Allison Unit only (a fixed interest unit): Delete the words in parentheses starting on Line 5 of Paragraph 1 and ending on Line 7.

Add: to Paragraph 5 at the end of the second sentence the following clause:

"provided, however, that such statements shall only be required in the event that split-stream gas sales are being made or a common purchaser does not provide Operator with monthly statements showing the total gas volumes sold by each joint interest owner."

Add: to Paragraph 7, Line 1, after the words "category of gas" the following words: "within a well."

Add: to Paragraph 11 at the end of the next to last sentence the following sentence:

"If an overproduced party did not sell its gas but otherwise utilized such gas in its own operations, such gas will be valued at the maximum price which the overproduced party could have received for such gas at the time of overproduction under such party's sales contract, or, if none, the average weighted price received by all other parties for their gas sold at that time."

If you are in agreement with these revisions, please sign and return one (1) copy of this letter.

Yours very truly,

Tom F. Hawkins

Tom F. Hawkins
Senior Landman

TFH/tlm
Enclosure
GBA files for above units
Doc. #0273L

AGREED TO AND ACCEPTED this 24th day of March, 1988, ~~1987.~~ and effective May 1, 1986.

TENNECO OIL COMPANY *

By P.W. Cayce, Jr.

Title Attorney-in-Fact

* Subject to Tenneco Oil Company's conditional letter dated March 24, 1988.

MERIDIAN OIL

Memorandum

To: Ms. Debbie Clymer

Date: May 2, 1988

From: Terry Mosher

Location: Land Department
Farmington

Re: Gas Balancing Agreement
Allison Unit
San Juan County, New Mexico

Attached please find an executed copy of the Gas Balancing Amendment to the Allison Unit from Tenneco Oil Company.

Since the other units referenced in our letter dated December 4, 1987, have not been released, we are holding Tenneco's acceptance on those units until sufficient working interest approval has been received to release them.

If you have any questions regarding this matter, please contact Mr. Tom Hawkins (505-326-9763) or myself.

Terry Mosher

tlm
Attachment
Allison Unit, 2.0
Doc. #29+

FM-MD-0001

GAS BALANCING AGREEMENT

_____ Unit

Attached to and made a part of Unit Operating (or Unit Accounting) Agreement dated _____

1.

In accordance with the terms of the Unit Operating Agreement (hereinafter also referred to as Unit Accounting Agreement when applicable) to which this Agreement is attached, each party shall take its share of oil and gas in kind and separately dispose of its proportionate share of the oil and gas produced from the wells (as used hereinafter the term "well(s)" shall mean participating area or non-commercial unit well as defined within the context of the subject Unit Agreement and Unit Operating Agreement) on the leases within the Contract Area. In the event any party hereto fails, or is unable, to take and market its share of the gas as produced for any reason, the terms of this Agreement shall automatically become effective.

2.

As long as any gas produced from any of said wells is subject to the regulations of the Federal Energy Regulatory Commission (FERC), or any successor governmental authority, under any section of the Natural Gas Act, the Natural Gas Policy Act of 1978 (NGPA), or other statutory authority, which establishes maximum lawful prices for the gas, each party should receive its allocated share of the category of gas in accordance with its interest in production from said well. It is the intent of this Agreement that balancing of gas taken will be based upon the allocated volumes of each category of gas. Any deregulated gas shall be treated as a separate category for purposes of balancing.

3.

During any period or periods when a party fails, or is unable, to take and market its full share of gas produced, each of the other parties shall be entitled to but not obligated to, take and deliver to its purchaser its proportionate part of all of such gas production not taken by others. Each party failing to take or market its full share of the gas as produced shall be considered underproduced by a quantity of gas equal to its share of the gas produced from the lease, less such party's share of the gas taken by such party or in behalf of such party, vented, lost, or used in lease operations. Those parties which are capable of taking and marketing the underproduced quantity 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 each underproduced party in the direct proportion that said producing party's interest bears to the total interest of all parties taking underproduced gas and each of said producing parties shall be considered to be overproduced. All gas (including overproduction or make-up) taken and marketed by a party in accordance with the terms of this Agreement, 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.

4.

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 described Operating Agreement, whether or not such parties are actually producing and marketing gas at such time.

5.

The Operator will maintain appropriate accounting on a monthly and cumulative basis of the quantities of gas each party is entitled to receive and the quantities of gas taken and marketed by each of the parties. For the sole purpose of implementing the terms of this Agreement and adjusting gas imbalances which may occur, each party disposing of gas from the lease 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 sixty (60) days after the end of each report period, the Operator shall upon written request of non-operator furnish each such party a statement showing the status of the overproduced and underproduced accounts of all parties. All gas volumes under this paragraph will be identified by the appropriate category provided under the NGPA or any other law or regulation in effect. In the event deregulation occurs, the gas volumes will be identified additionally in that category. Each party to this Gas Balancing Agreement agrees that it will not utilize any information obtained hereunder for any purpose other than implementing the terms of this Gas Balancing Agreement.

6.

Any party who is underproduced as to a given category of gas shall endeavor to bring its taking of gas of that category into balance. After written notice to the Operator, any party may begin taking and delivering to its purchaser(s) its full share of each category of gas produced. To allow for the recovery and make up of underproduced gas in a category and to balance the gas account for the interests, the underproduced party or parties for a category of gas shall after written notice to the Operator, also be entitled to take up to an additional fifty percent (50%) of the monthly quantity of that category of gas attributable to each overproduced party. In the event there is more than one underproduced or overproduced party, unless otherwise agreed, each underproduced or overproduced party's share of make-up gas shall be in the direct proportion of its interest to the total interests of all underproduced or overproduced parties taking or furnishing make-up gas. The first gas made up shall be assumed to be the first gas underproduced. Gas production from other well(s) under this Agreement cannot be used for the purpose of balancing underproduction from the particular well where an imbalance occurs.

7.

If at the termination of gas production of a given category of gas, 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 such gas production permanently ceases. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties*and taxes paid on such overproduction. If an overproduced party did not sell its gas but otherwise utilized such gas in its own operations, such gas will be valued at the maximum price which the overproduced party could have received for such gas at the time of overproduction under such party's sales contract, or, if none, the weighted average price received by all other parties for their gas sold at that time. That portion of the monies collected by each overproduced party which is subject to refund by orders of the FERC, may be withheld by the overproduced party until such prices are fully approved by the FERC, unless each underproduced party furnishes a bond or corporate undertaking agreement acceptable to the overproduced party to hold the overproduced party harmless from financial loss due to orders by the FERC.

ARCO

Meridian

8.

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

9.

Each party shall pay, or cause to be paid, all production and severance taxes due on all volumes of gas actually utilized or sold for its own account.

10.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser the full well stream for a period not to exceed seventy-two (72) hours to meet the deliverability test required by its purchaser.

*-paid on behalf of the underproduced party...

11.

The parties recognize that at some time after the date of this Agreement, legislation, judicial decision(s) or executive action may cause part or all of the then remaining gas reserves subject to this Agreement to be deregulated and no longer be subject to Federal price regulation. If in such an event an imbalance exists between the parties as to a given category of gas which is deregulated, a monetary settlement of such imbalance between the parties shall be made. The amount of the monetary settlement will be limited to the proceeds actually received by each overproduced party at the time of overproduction, less royalties and taxes paid on such overproduction, up to and including the date deregulation occurs. After such monetary settlement has been fully made for any imbalance that existed for a given category of gas on the date of price deregulation, this Agreement shall continue to apply to all gas produced from lands covered by the Operating Agreement.

12.

Unless otherwise required by provisions of a lease, agreement, or statute, rule, regulation, or order of any governmental authority having jurisdiction, and regardless of who is disposing of Gas, each Party shall be responsible for and shall pay or cause to be paid any and all royalties, overriding royalties and similar encumbrances due on its Percentage Ownership in such Gas, and shall hold the other Parties free from any liability therefore, provided that no party shall ever be responsible on a price basis higher than the price actually or constructively received for such Gas.

13.

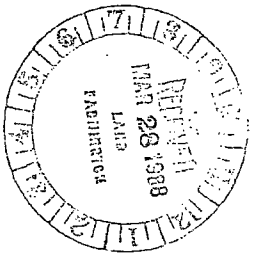
This Agreement shall remain in force and effect as long as the Unit Operating Agreement is in effect and thereafter until the gas balance accounts between the parties are settled in full and shall accrue to the benefit and be binding upon the parties hereto, their successors, representatives, and assigns.

Tenneco Oil Company
A Tenneco Company

Rocky Mountain Division
P.O. Box 3249
Englewood, Colorado 80155
(303) 740-4800

Delivery Address:
6162 South Willow Drive
Englewood, Colorado 80111

March 24, 1988



Meridian Oil Inc.
P.O. Box 4289
Farmington, New Mexico 87499-4289

Attention: Tom F. Hawkins
Senior Landman

Re: Gas Balancing Agreements
San Juan Basin, New Mexico

Gentlemen:

Enclosed for your review are proposed Gas Balancing Agreements for the unit and non-unit wells Tenneco operates in the Basin.

You will note that these agreements basically tract the former balancing agreements Meridian earlier forwarded to Tenneco for approval with the following minor exceptions:

1. Our gas balancing program provides that if a party is taking and that party is underproduced, it will automatically take an additional share. This is reflected in the third line of paragraph 3 where we have deleted the words "be entitled to, but not obligated to," between the words "shall" and "take".

2. Our Administrative group is set up to provide each party with an over and under statement relative to that party but not a statement for all parties under a well. We have therefore deleted the words "of all parties" from the end of the fourth to the last sentence of paragraph 5.

3. Our balancing program also provides that if a party has less that a 5% interest and is underproduced, when that party begins to sell it will automatically receive twice its entitlement unless by doing so all of the under 5% parties' cumulative takes would reduce the overproduced parties' takes to less than 50% of their entitlements. This minor change is reflected in paragraph 6.

In accordance with our earlier agreement, and if our proposed form of balancing is acceptable to Meridian, we propose that the non-unit Balancing Agreement be substituted for the earlier Balancing Agreement furnished to you by our office under letter dated May 19, 1986, as accepted by your letter of

October 20, 1986, copies attached. This agreement would be applicable then to all of the non-unit wells which Tenneco operates under which Meridian is a non-operator and which are currently covered by JOAs. These are shown on the exhibit attached as Exhibit "A" to this letter.

Tenneco also proposes that the Unit Operating Agreement form of Gas Balancing Agreement which I have enclosed be utilized for the units which Tenneco operates in the Basin (the San Juan 28-7 and the San Juan 32-9).

We have executed and are returning your proposed Gas Balancing Agreement letters upon the condition that you execute and return this letter.

If the foregoing is acceptable to you, please so indicate by signing the original and one copy of this letter, returning the copy to the attention of David L. Motloch at the letterhead address.

Very truly yours,

TENNECO OIL COMPANY

By: P.W. Cayce
P.W. Cayce, Jr.
Attorney-in-Fact

PWC/DLM/ps/4672L
Enclosures

AGREED TO AND ACCEPTED

this 15th day of April, 1988

MERIDIAN OIL INC.

By: Alan Alexander
Alan Alexander
Area Land Manager

TFH

MERIDIAN OIL

PLEASE RETAIN FOR YOUR FILE

January 11, 1989

FEDERAL EXPRESS

Arco Oil & Gas Company
Attn: Mr. Pat Miller
300 North Pecos
Midland, Texas 79701

Re: Gas Balancing Agreements
Federal Units
San Juan Basin

Gentlemen:

Meridian Oil Inc. has proposed that the Unit Operating Agreements covering the below Federal Units be amended to include the attached Gas Balancing Agreement.

Allison Unit	San Juan County, New Mexico
San Juan 28-6 Unit	Rio Arriba County, New Mexico
San Juan 29-7 Unit	Rio Arriba County, New Mexico
San Juan 30-6 Unit	Rio Arriba County, New Mexico

Subject to your acceptance of the revision set out below, this agreement will be effective for the units shown above. The amendment shall be effective April 1, 1986.

For: the Allison Unit only (a fixed interest unit): Delete the words in parentheses starting on Line 5 of Paragraph 1 and ending on Line 7.

For clarification, each Participating Area is treated as if a separate formation and any reference to category means NGA gas or NGPA gas as defined under the regulations of the Federal Energy Regulatory Commission.

If you are in agreement with these revisions, please sign and return one (1) copy of this letter.

Yours very truly,

Tom F Hawkins

Tom F. Hawkins
Senior Landman

TFH:tlm
Enclosures
GBA files
Doc. 181+

* AGREED TO AND ACCEPTED this 17th day of February, 1989.

ARCO OIL & GAS COMPANY

By [signature] PSM

Title Attorney-in-Fact

*Subject to Meridian's acceptance of the revision attached hereto

ARCO's Attached Revision

(1) Paragraph #7, Line 6: After the word "royalties" add the following - "paid on behalf of the underproduced party".

AGREED TO AND ACCEPTED THIS 1st day of March, 1989.

MERIDIAN OIL INC.

BY: Alan Alexander AFH

TITLE: attorney-in-fact