

BLOCK TYPE UNITS

The following provision in connection with non consent wells is contained in Section 8, Paragraph B of the Unit Operating Agreements of the San Juan 27-4, San Juan 27-5, San Juan 28-4, San Juan 28-5, San Juan 28-6, San Juan 28-7, San Juan 29-4, San Juan 29-5, San Juan 29-6, San Juan 29-7, San Juan 30-4, San Juan 30-5, San Juan 30-6, San Juan 31-6, San Juan 32-5, San Juan 32-7, San Juan 32-8, San Juan 32-9 Units:

. . . . "If less than all of such parties elect to join in the drilling of such well, Unit Operator shall, upon obtaining required governmental approvals, proceed with due diligence to drill such well at the sole cost and risk of the party or parties electing to share in the costs thereof, hereinafter called the "drilling parties". In the event any such well is a dry hole (and is not taken over for plug back or deepening), it shall be plugged and abandoned at the sole cost of the drilling parties. In the event such well is a producer, it shall be tested, completed and equipped to produce by the Unit Operator at the sole cost of the drilling parties, and such drilling parties each in proportion to its contribution to the cost of drilling, testing, completing and equipping the well shall be entitled to receive the proceeds of production from the well or, if it is capable of producing in paying quantities, shall be entitled to receive the proceeds of production allocable to the interests admitted to the participating area on account of such well, after deducting therefrom all royalties, overriding royalties, production payments and one hundred per cent (100%) of the operating expenses attributable thereto, until said drilling parties shall have received therefrom one hundred fifty per cent (150%) of the costs of drilling, testing, completing and equipping said well to produce."

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
El Paso EXHIBIT No. C
CASE 1006 and 1021

ALLISON UNIT

The following provision in connection with non consent wells is contained in Section 9, Paragraph 2 of the Unit Accounting Agreement of the Allison Unit:

. . . "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, re-cycling, or unavoidably lost and deductions for operating expenses." . . .

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CEDAR MESA UNIT

The following provision in connection with non consent wells is contained in Section 8, Paragraph 2 of the Unit Operating Agreement of the Cedar Mesa Unit:

. . . . "However, the proportionate share of the non-drilling party (whether one or more) in the unitized substances produced from either of such wells shall be sold, and the non-drilling party shall direct the purchaser thereof to pay to the drilling party (and the drilling party shall be entitled to receive) all the proceeds from the sale thereof, after deducting all royalty interests, overriding royalty interests, and production payments, if any, until such drilling party shall have been reimbursed therefrom in an amount equal to the non-drilling party's share of the total accrued expense of operating such well, plus 150% of the non-drilling party's share of the net cost of drilling such well."

COX CANYON UNIT

The following provision in connection with non consent wells is contained in Section 18 of the Unit Operating Agreement of the Cox Canyon Unit Area:

. . . "If any well so drilled encounters oil and gas, or either of them, or other hydrocarbon minerals, in paying quantities, separate tankage and measuring devices shall be provided for such well, which shall be completed and equipped by the drilling party or parties and then taken over by Unit Operator (if Unit Operator did not drill such well) and operated at the expense of the drilling party or parties and the drilling party or parties shall be credited with the entire working interest income therefrom, less the cost of operating such well, until such time as the working interest income, less the cost of operating such well, equals one hundred fifty per cent (150%) of the cost to the requesting party or parties of the drilling, completing and equipping of such well, whereupon it shall be owned and operated as a jointly owned well pursuant to the provisions of this agreement." . . .

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HUERFANO UNIT

The following provisions in connection with non consent wells is contained in the last paragraph of Section 14 of the Unit Accounting Agreement of the Huerfano Unit Area:

. . . "In the event the extension well was not drilled at the cost and risk of all of the Working Interest Owners in the Participating Area, or at the cost and risk of all of the Working Interest Owners in the Unit Area in the event the well is included in a Participating Area, the parties bearing the cost and risk of said well shall be entitled to a credit of 150% of the intangible cost of drilling, completing and equipping said well in the investment adjustment described in this section." . . .

HUERFANITO UNIT

The following provision in connection with non consent wells is contained in Section 10 of the Huerfanito Unit Operating Agreement:

. . . . "If said well be a test or extension well, the cost of such well shall be allocated by the operator to the party or parties desiring to drill said well in the proportion that each of their aggregate leasehold interests committed to the unit agreement respectively bears to the total number of acres committed to the unit agreement by the parties desiring to drill such well. If any such well should be completed as a well capable of producing oil or gas in paying quantities, the party or parties drilling such well shall be entitled to receive all of the proceeds derived from the sale of the production from such well, the same to be allocated to said parties in the same proportions that they contributed to the cost thereof. After said parties shall have received from the proceeds of the production from said well an amount equal to the total operating expenses thereof plus 150% of the total cost of drilling, testing, completing and equipping the same, all future operating expenses in connection therewith and the production therefrom shall be allocated among the parties hereto on the same basis as such costs and production would be allocated for any other well drilled under the terms of said unit agreement by the mutual consent of the parties hereto."

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LINDRITH UNIT

The following provision in connection with non consent wells is contained in Section 10, Paragraph (a) of the Unit Accounting Agreement of the Lindrith Unit Area:

. . . . "In the event a well drilled pursuant to Section 12 of the Unit Agreement by some parties hereto other than the Operator results in production of unitized substances such that the land upon which it is situated may properly be included in a participating area, the parties paying the cost of drilling and completing such well shall,

unless the Operator by negotiation acquires, within ninety (90) days after completion thereof, such well and all its equipment, including any tankage, be entitled to produce and operate same and to retain the benefits of all unitized substances produced therefrom, subject to royalty interests, until such parties shall have recovered from the working interest production thereof an amount equal to twice the cost incurred in drilling, completing and equipping such well, plus an amount equal to the reasonable and bona fide cost of operating the well during the period of recovery, including all taxes with respect to working interest production during the period of recovery."

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RINCON UNIT

The following provision in connection with non consent wells is contained in Amendment to Unit Operating Agreement, Section 10-A, Paragraph 2:

. . . . "If any such well should be completed as a well capable of producing oil or gas in paying quantities, the party or parties drilling such well shall be entitled to receive all of the proceeds derived from the sale of the production from such well, the same to be allocated to said parties in the same proportions that they contributed to the cost thereof. After said parties shall have received from the proceeds of the production from said well an amount equal to the total operating expenses thereof plus 150% of the total cost of drilling, testing, completing and equipping the same, all future operating expenses in connection therewith and the production therefrom shall be allocated among the parties hereto on the same basis as such costs and production would be allocated for any other well drilled under the terms of said Unit Agreement by the mutual consent of the parties hereto."