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BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
_____	EXHIBIT NO. <u>2</u>
CASE NO. <u>2777</u>	

UNIT AGREEMENT
CENTRAL TOTAH UNIT
SAN JUAN COUNTY, NEW MEXICO

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2497.24
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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL TOTAH UNIT AREA
SAN JUAN COUNTY
STATE OF NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CENTRAL TOTAH UNIT AREA
COUNTY OF SAN JUAN,
STATE OF NEW MEXICO

THIS AGREEMENT, entered into as of the first day of October, 1962, 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 and gas interests in the Unit Area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,
as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and
their representatives to unite with each other, or jointly or separately
with others, in collectively adopting and operating 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 Oil Conservation Commission of the State of New Mexico
(hereinafter referred to as "the Commission") is authorized by an Act of
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14, N. M. Statutes
1953 Annotated) to approve this agreement and the conservation provisions
hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Central
Totah Unit Area covering the land hereinafter described to give reasonably
effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to institute a program
of pressure maintenance, conserve natural resources, prevent waste, and se-
cure 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:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2757.97

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and is recognized as constituting the Unit Area, containing 3,155.36 acres, more or less.

3. EXHIBITS AND DEFINITIONS.

(a) Exhibit "A" shows, in addition to the boundaries of the Unit Area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests and the percentages of participation each tract has in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor and copies thereof

shall be filed with Oil Conservation Commission of the State of New Mexico, same being hereinafter referred to as "Commission."

(b) Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation.

(c) Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

(d) Royalty Owner means a party hereto who owns a Royalty Interest.

(e) Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(f) Tract means each parcel of land described as such and given a Tract number in Exhibit "B."

(g) Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, Central Totah Unit, San Juan County, New Mexico," of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

(h) Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

(i) Tract Participation means the percentage shown on Exhibit "B" for allocating Unitized Substances to a Tract under this agreement.

(j) Unit Participation of each Working Interest Owner means the

sum of percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(k) Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

(l) Oil and Gas Rights means the right to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(m) Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

(n) Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(o) Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

(p) Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural include the singular, and the neuter gender includes the masculine and the feminine.

4. EXPANSION. The above-described Unit Area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement whenever such expansion is necessary or advisable to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) At the instigation of two (2) or more Working Interest Owners concurred in by the Unit Operator where such parties collectively own an

aggregate of at least seventy-five per cent (75%) voting interest here-
of and after preliminary concurrence by the Director of the Geological
Survey (which party is hereinafter referred to as "Director"), Unit
Operator shall prepare a notice of proposed expansion describing the
contemplated changes in the boundaries of the Unit Area, the reasons
therefor, the percentage of participation applicable to each tract in
the expanded Unit Area, and the proposed effective date thereof, pref-
erably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor and the Com-
mission, and copies thereof mailed to the last known address of each
Working Interest Owner, lessee, and lessor whose interests are affected,
advising that thirty (30) days will be allowed for submission to the
Unit Operator of any objections.

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

(d) After due consideration of all pertinent information, the ex-
pansion shall, upon approval by the Director and the Commission, become
effective as of the date prescribed in the notice thereof.

(e) In the event of such a subsequent enlargement, there shall be
no retroactive adjustment of past revenue from production.

5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous sub-
stances, sulphur contained in gas, condensate, distillate and all associated
and constituent liquid or liquefiable hydrocarbons within or produced from
the lands now or hereafter committed to this agreement, as to the Totah Gal-
lup Sand, are unitized under the terms of this agreement and are herein called
"Unitized Substances," and said lands shall constitute land referred to here-
in as "Unitized Land" or "Land Subject to this Agreement."

The Totah Gallup Sand includes all of the formation known as the Gallup,

the vertical limits of which range from 5246' to 5732' as shown on the Electric Log of Tenneco's Callow No. 11 and from 5362' to 5854' as shown on the Electric Log of Aztec's Hagood No. 3-D. The vertical limits of the proposed unit are from approximately sub-sea datum depth of \neq 560' to \neq 60'.

6. UNIT OPERATOR. Tenneco Corporation (acting by its Managing Agent, Tenneco Oil Company) is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such interest is owned by it.

7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Director and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Supervisor, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of Working Interest determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and Commission.

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interests in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least eighty per cent (80%) of their voting interests, based on the then current percentage participation assigned to tracts in the Unit Area, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a voting interest of more than twenty per cent (20%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty per cent (80%) or more of the voting interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself and its voting interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until:

(a) A Unit Operator so selected shall accept the duties and responsibilities of Unit Operator, and confirm same in writing. and

(b) The selection shall have been filed with the Director and Commission.
sion.

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.

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of Working Interest, all in accordance with the Unit Operating Agreement entered into by and between the Unit Operator and the owners of Working Interests, whether one or more, separately or collectively. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, the Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor and one (1) copy with the Commission, prior to approval of this unit agreement.

10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances and for conducting pressure maintenance and related operations 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. Unit Operator shall not be liable to the parties hereto for damages resulting from or attributable to unit operations unless such damage results from the gross negligence or willful misconduct of Unit Operator.

11. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that the Unit Area is already developed and productive, and no further drilling is contemplated except such as may be incidental to carrying out an injection program.

Inasmuch as the primary purpose of this Unit Agreement is to permit the institution and consummation of a pressure maintenance program for the maximum economic production of Unitized Substances consistent with good engineering and conservation, Unit Operator shall submit to the Supervisor and Commission for approval, a plan of operation for the Unitized Land concurrently with the filing of this Unit Agreement for final approval, and upon approval thereof by the Supervisor and Commission such plan shall constitute the further operating obligations of the Unit Operator under this Unit Agreement for the period specified therein. The location of input wells and the rates of injection therein, and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation; said plan or plans shall be modified or supplemented when necessary to meet changed conditions. Reasonable diligence shall be exercised in complying with the obligations of any approved plan of operation.

After commencement of secondary operations, the Unit Operator shall furnish the Supervisor and the Commissioner periodic (monthly if requested) injection

and production reports for each well in the unit.

Unit Operator shall have the right to inject into the Totah Gallup Sand any substances for pressure maintenance purposes in accordance with a plan of operation approved by the Supervisor and Commission, including the right to drill and maintain injection wells on Unitized Land and to use abandoned or producing Totah Gallup Sand wells for injection or production purposes; and the parties hereto, insofar as they have the right to do so, hereby grant unto Unit Operator the right to use so much of the surface of the Unitized Land as may be reasonably necessary relative to the injection and pressure maintenance program.

12. DUAL COMPLETION WELLS. Recognition is given to the fact that there are wells in the Unit Area completed in the Unitized Zone and which are additionally completed in formations other than in the Unitized Zone and it is intended that those well facilities and equipment which are used in connection with the Unitized Substances or for pressure maintenance purposes on the one hand and those used in connection with production from non-Unitized Zones on the other shall be conducted and operated so that there will be no disruption, damage or injury to either; and that the parties presently owning and operating such wells into or in relation to a non-Unitized Zone shall continue to operate same as to such non-Unitized Zone and the well or wells and equipment connected therewith subject to the paramount right of the Unit Operator to possess, operate and produce from the Unitized Zone and to continue pressure maintenance operations on such well as contemplated hereunder as to the Unitized Zone; provided, however, that in no event shall such a dually completed well which is completed in a non-Unitized Zone and which is capable of producing therefrom in commercial quantities on the effective date hereof be hindered or precluded from producing therefrom by operations hereunder.

The Unit Operator in its representative capacity for the Working Interest Owners on the one hand and the Operator on a non-Unitized Zone on the other hand agree to indemnify the other against damages or losses resulting from the acting parties' operation in connection with each such well. In order

to insure maximum coordination and cooperation between such parties and to
mitigate any potential liability in this connection, it is expressly agreed
that advance written notice indicating the nature of the proposed work in
reasonable detail shall be given the other interested party or parties by
the party intending to work on a dually completed well, whether in the Unit-
ized or non-Unitized Zone, and if the proposed work and the manner of per-
forming same is not objected to and supported by reasonable and valid rea-
sons for such objections delivered in writing within fifteen (15) days after
receipt thereof, then the proposed plan shall be regarded as an acceptable
one, and, where employed and executed in a good and workmanlike manner or as
there prescribed, there shall be no liability to the party conducting such
operations.

Nothing contained in this Paragraph 12 shall be construed or regarded as
relieving any party from any gross negligence or willful misconduct nor shall
same be regarded as limiting or as a limiting factor upon any commitment here-
under of property, material, equipment and rights of any party whether now or
subsequently committed hereto either with or without specific compensation or
reimbursement attributed thereto.

13. PARTICIPATION AND ALLOCATION OF PRODUCTION. For the purpose of
determining any benefits in production accruing under this agreement, each
tract committed hereto shall have allocated to it the proportion of all Unit-
ized Substances produced from the Unitized Land to which it is entitled under
the following formula (except any part thereof used in conformity with good
operating practices within the Unit Area for drilling, operating, camp and
other production or development purposes, for pressure maintenance operations
in accordance with a plan of operation approved by the Supervisor and Commis-
sion, or unavoidably lost). Tract participation shall equal the sum of the
following five (5) factors: (1) 70% of: Tract developed acre feet of Gallup
Sand (as a numerator) over Unit developed acre feet of Gallup Sand (as a
denominator); (2) 5% of: Tract undeveloped acre feet of Gallup Sand (as a
numerator) over Unit undeveloped acre feet of Gallup Sand (as a denominator);
(3) 10% of: Tract cumulative production to August 1, 1962 (as a numerator)
over Unit cumulative production to August 1, 1962 (as a denominator); (4) 7.5%

of: Tract December 1961 allowable production (as a numerator) over Unit December 1961 allowable production (as a denominator); (5) 7.5% of: Tract production May, June, and July 1962 (as a numerator) over Unit production May, June, and July 1962 (as a denominator). The amount of such Unitized Substances allocated to each tract shall be conclusively deemed to have been produced from such tract irrespective of the location of the wells from which the same is produced in fact and regardless of depletion of wells or tracts. If any oil or gas rights in a tract set forth on Exhibit "A" is or shall become divided and owned in severalty, as to different parts of said tract, the owners of the divided interests in said tract, in the absence of a recordable instrument executed by all the owners and furnished to Unit Operator fixing the division of ownership, shall share in the Unitized Substances allocated to said tract or in the proceeds thereof in proportion to the surface acreage of their respective parts of said tract.

No tract committed to this agreement and qualified for participation shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

The figure set forth opposite each tract in Exhibit "B" represents the percentage participation to which such tract is entitled if all of the tracts there designated with a percentage of participation are committed hereto as of the effective date of this agreement. In the event that all said tracts are not committed to this agreement on said effective date, Unit Operator, as soon as practicable after the effective date of this agreement, shall file with the Supervisor and Commission a separate schedule of those tracts which are so committed. Such schedule, which shall be designated "Exhibit 'B' Revision" and considered for all purposes a part of this agreement, shall set forth opposite each such committed tract a revised percentage participation therefor, which shall be calculated by using the same tract factors and formula as set forth above and which were used to arrive at the percentage participation of each tract as set out in Exhibit "B" but applying the same only to the committed tracts. Such schedule, upon approval thereof by the Supervisor and the Commission shall supersede, effective as of the effective date hereof

the percentage participations set forth in the original Exhibit "B" attached hereto, and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Commissioner and the Supervisor or Director.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 29 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 28 (Loss of Title), the schedule or participation as shown in Exhibit "B", or in the Exhibit "B" Revision, subject to Section 15 (Participating Tracts) or Section 29 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commission, the Supervisor, and the Director to show the new percentage participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Commission and the Supervisor or the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is so approved.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

14. OIL IN LEASE TANKS. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not

been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after effective date hereof.

If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

15. PARTICIPATING TRACTS. On and after the effective date hereof the Tracts within the Unit Area which are committed hereto and which shall be entitled to participate in production of Unitized Substances therefrom shall be those Tracts within the Unit Area that corner, adjoin, are contiguous or have a common boundary (tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary), and that are also qualified as follows:

(a) Each Tract as to which Working Interest Owners owning one hundred per cent (100%) of the Working Interest and Royalty Interest Owners having seventy per cent (70%) or more of the Royalty Interest have become parties to this agreement or ratified same.

(b) Each tract as to which Working Interest Owners owning one hundred per cent (100%) of the Working Interest have become parties to this agreement, or ratified same, and as to which Royalty Owners owning less than seventy per cent (70%) of the Royalty Interest have become parties to this agreement, and as to which (1) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (2) eighty per cent (80%) of the combined voting interests of Working Interest Owners in all Tracts that meet the

requirements of Section 14(a) have voted in favor of the inclusion of such Tract. For the purpose of this Section 14(b), the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 14(a) bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that are classified in the category described in Section 14(a).

(c) Each Tract as to which Working Interest Owners owning less than one hundred per cent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (2) eighty per cent (80%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections 14(a) and 14(b) have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section 14(c), the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections 14(a) and 14(b) bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 14(a) and 14(b). Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement,

shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

16. ROYALTIES AND RENTALS. The United States and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to elect to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessee of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands or formations not subject to this agreement is introduced into the Totah Gallup Sand under unitized land for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and the Commission, a like amount of gas less appropriate deductions for loss from any cause, may be withdrawn from that formation, royalty free as to dry gas, but not as to the products extracted therefrom; and, provided further, that such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land pursuant to an approved plan of operation for the purpose of increasing ultimate recovery, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and Commissioner.

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 regulation; 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 the Unit Area were a single consolidated lease.

Annual rentals and any minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations including those for payment of any rental or minimum royalty in lieu thereof due under their leases unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary of the Interior (hereinafter called "Secretary") or his duly authorized representative.

17. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

18. DRAINAGE. 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.

19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases, if any be committed hereto, shall and each by his approval hereof, or by the approval hereof by his or their duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum

royalty and royalty requirements of Federal and State leases, if any, committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The operation of the Unitized Lands under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract 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 their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all Unitized Lands pursuant to direction or consent of the Secretary or his duly authorized representative and, if State of New Mexico land is subject hereto, the Commissioner, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of Unitized Land.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until

the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto.

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

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

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest 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 successors in interest. No assignment or transfer of any Working Interest, Royalty or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

21. EFFECTIVE DATE AND TERM. This agreement shall become effective on the first day of the calendar month next following approval by the Secretary and the Commission, or their duly authorized representatives, and shall remain in effect so long as Unitized Substances or gas injected into the Unit Area from outside sources can be produced in paying quantities, i.e., in quantities sufficient to pay for the cost of producing same from wells on Unitized Land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production and, if they result in further production of Unitized Substances, so long thereafter as such Unitized Substances can be produced as aforesaid. This agreement shall remain in effect during any period of suspension approved by the Director and the Commissioner as provided for in Section 19(c) hereof.

This agreement may be terminated at any time by the Working Interest Owners whose voting interests, as provided in the Unit Operating Agreement, aggregate not less than ninety per cent (90%), subject to the approval of the Director and the Commission; notice of any such approval shall be given by Unit Operator to all parties hereto.

22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, 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 land 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 Commission 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.

Powers in this Section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

23. LAWS AND REGULATIONS. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations, and orders of the New Mexico Oil Conservation Commission; and to all other applicable federal, state and municipal laws, rules, regulations and orders.

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

25. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses.

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive, provided, however, that each party hereto covenants that during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to 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, acts of God, Federal, State or municipal law 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.

28. NON-DISCRIMINATION. In the performance of work under this agreement the Unit Operator agrees to comply with the nondiscrimination provisions of Section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which we hereby incorporate by reference in this agreement.

29. LOSS OF TITLE. In the event title to any tract of Unitized Land shall fail and the true owner cannot be induced to join in this Unit Agreement, such Tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to the title to any Royalty, Working Interest or any other interest or rights subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and any State land or leases which may be committed hereto, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State, if any, shall be deposited as directed by the Commissioner, 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.

Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

In order to avoid title failures which might incidentally cause the title to a Working Interest or interests to fail, the owners of (a) the surface rights to lands lying within the Unit Area, (b) severed minerals or royalty interests in said lands, and (c) improvements located on said land but not utilized for unit operations, shall individually be responsible for the rendition

and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or owners or in the Unit Operating Agreement. If any ad valorem taxes are not paid by such owners responsible therefor when due, the Unit Operator, subject to the approval of the Working Interest Owners, may, at any time prior to tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. In the event the Unit Operator makes any such payment or redeems any such property from tax sale, the Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective percentages of participation; and the Unit Operator shall withhold from the proceeds otherwise due to said delinquent taxpayer or taxpayers, an amount sufficient to defray the costs of such payment or redemption, such withholdings to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption.

30. NON-JOINDER AND SUBSEQUENT JOINDER. Any oil or gas interests in lands within the Unit Area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a Working Interest, by the owner of such interest also subscribing to the Unit Operating Agreement.

It is understood and agreed, however, that after the effective date of this agreement, the commitment hereto of any interest within the Unit Area shall be upon such terms and conditions as may be negotiated by Working Interest Owners and the owner of such interest. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement, in order for the interest to be regarded as effectively committed to this Unit Agreement. After the effective date of this agreement joinder by a non-Working Interest Owner must be consented to in writing by the Working Interest Owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest,

at any time, must be accompanied by appropriate joinder by the owner of the
corresponding working interest in order for the interest to be regarded as
effectively committed hereto. Except as may otherwise herein be provided,
subsequent joinder to this agreement shall be effective as of the first day
of the month following the filing with the Supervisor and the Commissioner
of duly executed counterparts of all or any papers necessary to establish
effective commitment of any tract to this agreement unless objection to such
joinder is duly made within sixty (60) days by the Director or the Commissioner
or the Commission. In the event additional tracts qualify pursuant to Section
15 as a result of the subsequent joinder of parties pursuant to this Section
30, Exhibit "B" shall be revised to reflect the revision of percentages al-
located to the various committed tracts.

31. DRILLING OTHER THAN TO UNITIZED FORMATIONS. In the drilling of any
well after the effective date hereof to a zone or strata underlying the Uniti-
zed Formation, sufficient casing or other means as may be approved by the
Working Interest Owners and the Supervisor shall be utilized to properly seal
off and protect the Unitized Formation.

32. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working
Interest Owners or any of them shall be subject to any forfeiture, termina-
tion or expiration of any rights hereunder or under any leases or contracts
subject hereto, or to any penalty or liability on account of delay or fail-
ure in whole or in part to comply with any applicable provisions thereof 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 the failure of the Unit Operator to obtain, in the exercise of due dili-
gence, the concurrence of proper representatives of the United States and
proper representatives of the State of New Mexico in and about any matters
of things concerning with it is required herein that such concurrence be
obtained.

33. COUNTERPARTS. This agreement may be executed in any number of
counterparts, no one of which needs to be executed by all parties, or may
be ratified or consented to by separate instrument in writing specifically

referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the Unitized Lands.

34. ROYALTY OWNERS' TAXES. The Working Interest Owners shall render and pay for their account and the account of the Royalty Owners all valid taxes on or measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The Working Interest Owners on each Tract shall and may charge the proper proportion of said taxes to the Royalty Owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products, or net proceeds thereof from the allocated share of each Royalty Owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

35. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, express 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.

36. EXPIRATION FOR NON-EXECUTION. If, for any reason, this agreement is not executed or ratified by the required parties as set forth in Section 15 of this agreement on or before August 2, 1963, then this agreement shall be null and void ab initio and same shall not thereafter be binding upon any parties having previously executed or ratified same.

37. BORDER AGREEMENTS. Subject to the approval of the Supervisor and the Commissioner, the Unit Operator, with concurrence of two (2) or more owners of Working Interest owning in the aggregate at least sixty-five per cent (65%) of the voting interest may enter into a border-protective agreement

or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

38. JOINDER OF TENNECO OIL COMPANY. Tenneco Oil Company, a Delaware corporation, with principal offices in the Tennessee Building in Houston, Texas, joins in this agreement for purposes of documenting its acceptance and agreement thereto.

39. CORRECTION OF ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than correction of a mathematical or clerical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners, the Commissioner and the Supervisor.

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

ATTEST:

TENNECO CORPORATION

By: _____ Date _____

Title: _____

ATTEST:

PIONEER PRODUCTION CORPORATION

By: _____ Date _____

Title: _____

ATTEST: .

AZTEC OIL & GAS COMPANY

By: _____ Date _____

Title: _____

ATTEST:

SOUTHWEST PRODUCTION COMPANY, INC.

By: _____ Date _____

Title: _____

ATTEST:

BIG CHIEF DRILLING COMPANY

By: _____ Date _____

Title: _____

D. W. FALLS Date _____

Date _____

Date _____

Date _____

Date _____

Date _____

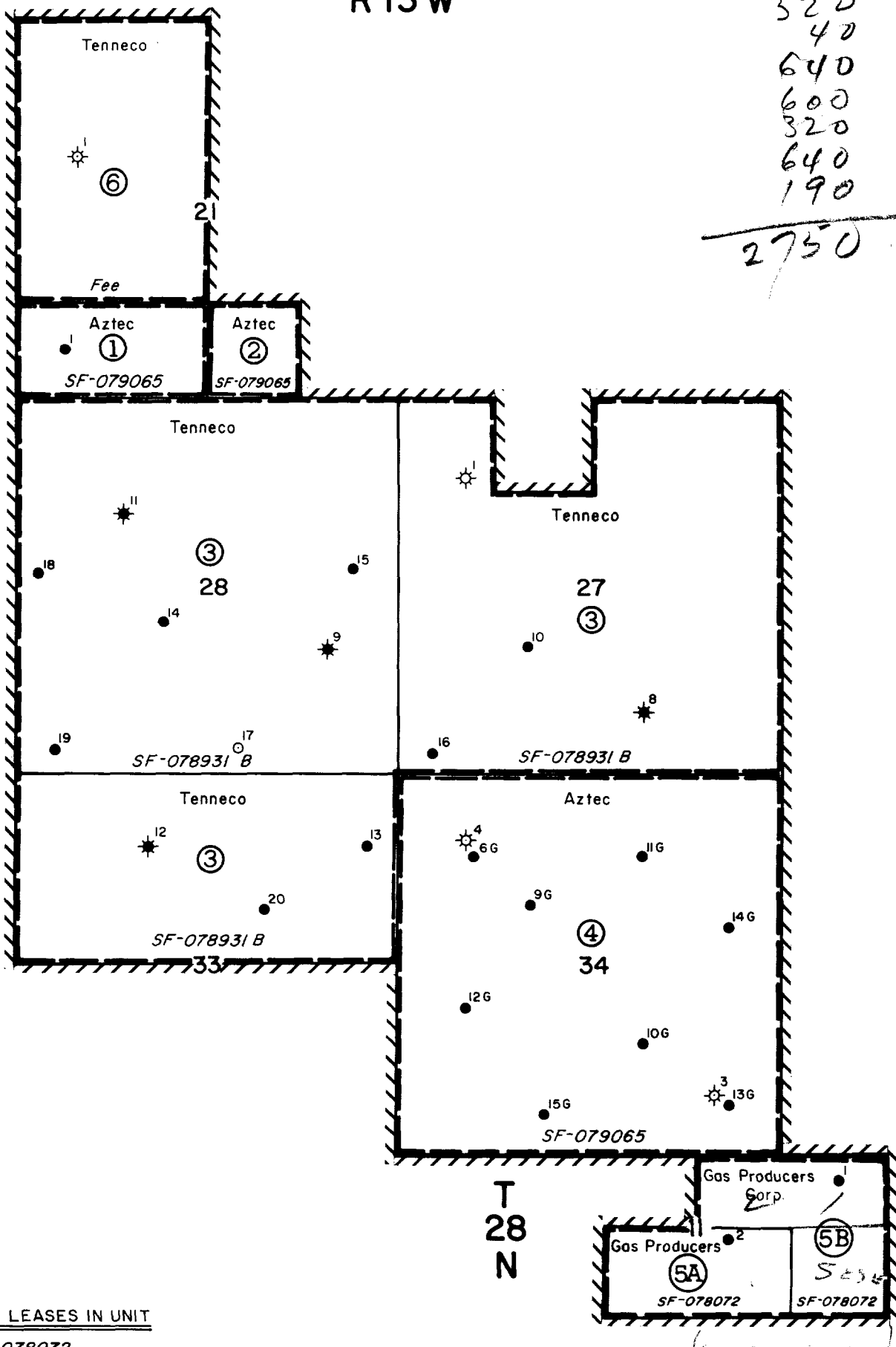
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FEDERAL LEASES IN UNIT

SF-078072
SF-078931 B
SF-079065

③ Tract numbers as listed on Exhibit "B"

//// Unit Boundary

□ Tract Boundary

EXHIBIT "A"

CENTRAL TOTAH UNIT
SAN JUAN COUNTY, NEW MEXICO

SCALE: 1"=2000'

DATE: Revised Feb. 20, 1963

EXHIBIT "B"
CENTRAL TOPAH (GALLUP) UNIT, SAN JUAN COUNTY, NEW MEXICO
T. 29 N., R. 13 W.

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEDERAL LAND							
1	S/2 SW/4 Sec. 21	80	SF 079065 Held by Prod.	U.S. All	Aztec Oil & Gas	L.N.Hagood, et ux, Mary C. Hagood 5%	Aztec Oil & Gas Tenneco Corp Pioneer Prod. 25 % 68.75% 6.25%
2	SW/4 SE/4 Sec. 21	40	SF 079065 Held by Prod.	U.S. All	Aztec Oil & Gas	L.N.Hagood, et ux, Mary C. Hagood 5%	Aztec Oil & Gas All
3	Sec. 27 less NE/4 NW/4; Sec. 28, all; N/2 Sec. 33	1560	SF 078931-B Held by Prod.	U.S. All	Tenneco Corp	Ivan Otstot, et ux, Mabel Otstot 2% Arnold E. Carle 1.25% Glenn H. Callow 1.25% Rocanville Corp * 2.5 % *Subject to net profit interest reserved to H.K. Riddle to Assignment of 12-31-59.	Big Chief Drilg Tenneco Corp 12.50% 87.50%
4	Sec. 34: All	640	SF 079065 Held by Prod.	U.S. All	Aztec Oil & Gas	L.N.Hagood, et ux, Mary C. Hagood 5%	Aztec Oil & Gas All
5A	SW/4 SE/4, SE/4 SW/4 Sec. 11, T. 28 N., R. 13 W.	80	SF 078072 Held by Prod.	U.S. All	Gas Producers Corp.	Gas Producers Corp 24% R.M. & Lucille C. Barron .055556 of 3.5% Resse & Roselle B. Cleveland .055556 of 3.5% Robert D. & Nancy Mae Duden .055556 of 3.5% First National Bank of Midland, Trust No. 204 .055556 of 3.5% Ralph & Erma Lover .055556 of 3.5% J.R. & Lucille Martin .055556 of 3.5% J.F. Postelle .055556 of 3.5% Frank A. & Betty Schultz .055556 of 3.5% J. Ralph & Villa Stewart .055556 of 3.5%	D. W. Falls All

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Expiration Date of Lease</u>	<u>Basic Royalty & Ownership Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
5A (Cont'd)							
					Leo A. Achtschin	.027778 of 3.5%	
					Kathryn D. Ashby	.027778 of 3.5%	
					Robert Murray		
					Fasken, per se, et ux Exec. Trust	.027778 of 3.5%	
					Gerald & Elizabeth		
					Fitzgerald	.027778 of 3.5%	
					Ina Belle Hightower	.027778 of 3.5%	
					W. H. & Alberta		
					Sloan	.027778 of 3.5%	
					Jean H. Westerman	.027778 of 3.5%	
					C.B. Yarbrough	.027778 of 3.5%	
					Katherine B. Yarbrough	.027778 of 3.5%	
					Leah B. Dorney	.041667 of 3.5%	
					Robert B. Aaronsen	.013889 of 3.5%	
					Myrtle Connor, Exec. Est. Frank T.		
					Connor	.013889 of 3.5%	
					Lee Etta Hedberg	.013889 of 3.5%	
					P. O. Still	.013889 of 3.5%	
					Charles D. & Lucy		
					J. Karutz	.006944 of 3.5%	
					Lawrence L. LaValle	.006944 of 3.5%	
					Myron & Nelly		
					Liddell	.006944 of 3.5%	
					Guy A. Welll,		
					Custodian	.006944 of 3.5%	
					Levle & Ethel Freed	.005556 of 3.5%	
					Morris & Ida Levine	.005556 of 3.5%	
					William & Edith		
					Levine	.005556 of 3.5%	
					Harry & Thilly		
					Lipsky	.005556 of 3.5%	
					Sid & Rosalind Weiss	.005556 of 3.5%	
					George Bigar	.010417 of 3.5%	
					William & Florence		
					B. Dubilier	.010417 of 3.5%	
					Frank & Margaret		
					Jensls	.003472 of 3.5%	
					Maryanne Welll		
					Lester	.003472 of 3.5%	
					Alexander S. Lore	.003472 of 3.5%	

[illegible]

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Expiration Date of Lease</u>	<u>Basic Royalty & Ownership Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
5B (Cont'd)							
					Jan H. Westerman	.027778 of 3.5%	
					C. B. Yarbrough	.027778 of 3.5%	
					Katherine B.		
					Yarbrough	.027778 of 3.5%	
					Leah B. Downey	.041667 of 3.5%	
					Robert B. Aaronson	.013889 of 3.5%	
					Myrtle Connor, Exec.		
					Est. Frank T.		
					Connor	.013889 of 3.5%	
					Lee Etta Hedberg	.013889 of 3.5%	
					P. O. Still	.013889 of 3.5%	
					Charles D. & Lucy		
					J. Karutz	.006944 of 3.5%	
					Lawrence L. Levalle	.006944 of 3.5%	
					Mayron & Nelly		
					Iddell	.006944 of 3.5%	
					Guy A. Weill,		
					Custodian	.006944 of 3.5%	
					Lewis & Ethel Freed	.005556 of 3.5%	
					Morris & Ida Levine	.005556 of 3.5%	
					William & Edith		
					Levine	.005556 of 3.5%	
					Harry & Tilly		
					Lipsky	.005556 of 3.5%	
					Sid & Rosalind Weiss	.005556 of 3.5%	
					George Bigar	.010417 of 3.5%	
					William & Florence B.		
					Dublier	.010417 of 3.5%	
					Frank & Margaret		
					Jenst	.003472 of 3.5%	
					Marienne Weill		
					Lester	.003472 of 3.5%	
					Alexander S. Lore	.003472 of 3.5%	
					W. Benton & Mildred		
					P. Harrison	.003472 of 3.5%	
					Benjamin J. & Helen		
					G. Pinkowski	.003472 of 3.5%	
					Guy A. Weill	.003472 of 3.5%	
					Marie Helen Weill	.003472 of 3.5%	
					Stanley & Ann		
					Zacharek	.003472 of 3.5%	

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
5 Federal tracts 8197.97 acres or 91.24% of Unit Area.							
PATENTED LAND							
6	* NW/4, N/2 SW/4 Sec. 21	239.69	Patented		Tenneco Corp.	Thomas M. & Minna Grodin	Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%
	* Out of W/2 Sec. 21, T. 29 N., R. 13 W.	27.5	Held by Prod.	Bernard R. Gerard First National Bank of Farmington	Tenneco Corp.		Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%
	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	14.6	Held by Prod.	O.H. Vertreese Carroll V. Fisk	Tenneco Corp.		Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%
	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	12.23	Patented Held by Prod.	Radio Station KVBC First National Bank of Farmington	Tenneco Corp.		Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%
	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	1.2	Patented Held by Prod.	Radio Station KVBC	Tenneco Corp.		Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%
	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	142.5	Patented Held by Prod.	Mary Roberts Berry Royce M. Elkins Ronald C. Elkins Flora G. Elkins Berice San Juan Gravel Products Co	Tenneco Corp.		Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%
	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	3.806	Patented Held by Prod.	O.H. Vertreese and R.C. Parsons, jointly Theodore P. Amsden Virginia Amsden Whitnire Gelp Amsden Hall Larry Avery Amsden Charles Wynn Amsden	Tenneco Corp. Pioneer Prod	Weldon C. Julander, 1/2 of 1% et ux Ida Mae Julander Rodney P. Calvin, et ux, Christine T. Calvin, jointly Earl A. Rogers	Astec Oil & Gas Tenneco Corp Pioneer Prod
							25 % 68.75% 6.25%

.002604 of 3.5%

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration Date of Lease	Basic Royalty & Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
6	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	2.00	Patented Held by Prod.	O. H. Vertrees and R.C. Parsons, jointly 50% Theodore P. Amsden 12.5% Virginia Amsden Whitmore 12.5% Gail Amsden Hall 12.5% Larry Avery Amsden 6.25% Charles Wynn Amsden 6.25%	Tenneco Corp 50% Pioneer Prod 50%	Weldon C. Julander, 1/2 of 1% et ux Ida Mae Julander Rodney P. Calvin, et ux 1/2 of 1% Christine T. Calvin, jointly Earl A. Rogers 1/2 of 1%	Aztec Oil & Gas 25 % Tenneco Corp 68.75 % Pioneer Prod 6.25 %
6	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	33.884	Patented Held by Prod.	T.L. Smith & Anna Everett Smith, O.H. Vertrees & R.L. Parsons 50% Theodore P. Amsden 12.5% Virginia Amsden Whitmore 12.5% Gail Amsden Hall 12.5% Larry Avery Amsden 6.25% Charles Wynn Amsden 6.25%	Tenneco Corp 50% Pioneer Prod 50%	Weldon C. Julander 1/2 of 1% et ux Ida Mae Julander Rodney P. Calvin, 1/2 of 1% et ux Christine T. Calvin, jointly Earl A. Rogers 1/2 of 1%	Aztec Oil & Gas 25 % Tenneco Corp 68.75% Pioneer Prod 6.25%
6	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	1.5	Patented Held by Prod.	Guy A. Bell	100% Tenneco Corp		Aztec Oil & Gas 25 % Tenneco Corp 68.75% Pioneer Prod 6.25%
6	* Out of W/2 Sec. 21 T. 29 N., R. 13 W.	.47	Patented Held by Prod.	Helen Schleuter Gage	100% Tenneco Corp		Aztec Oil & Gas 25 % Tenneco Corp 68.75% Pioneer Prod 6.25%
1 Patented Tract 239.69 acres or 8.755% of Unit Area							
* ALL in Tract No. 6							

Total 6 Tracts 2737.66 acres in entire Unit Area

<u>Tract No.</u>	<u>Working Interest</u>	<u>Percent Working Interest in Tract</u>	<u>Percent Unit Participation</u>
1	Aztec Oil & Gas Company Tenneco Oil Company Pioneer Production Company	25.0000 68.7500 6.2500 <u>100.0000</u>	.3549 .9761 .0889 <u>1.4199</u>
2	Aztec Oil & Gas Company	100.0000	.2013
3	Big Chief Drilling Company Tenneco Oil Company	12.5000 87.5000 <u>100.0000</u>	7.2135 50.4932 <u>57.7067</u>
4	Aztec Oil & Gas Company	100.0000	35.7766
5A	D. W. Falls	100.0000	1.7507
5B	D. W. Falls Warren Shear Aspen Drilling Company	50.0000 25.0000 25.0000 <u>100.0000</u>	1.5124 .7561 .7561 <u>3.0246</u>
6	Aztec Oil & Gas Company Tenneco Oil Company Pioneer Production Company	25.0000 68.7500 6.2500 <u>100.0000</u>	.0301 .0826 .0075 <u>.1202</u>
			<u>100.0000</u>

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

December 20, 1967

C
O
P
Y

Tenneco Oil Company
201 Wall Building
Midland, Texas 79701

Gentlemen:

During the month of October, 1967, Aztec Oil and Gas Company filed forms with the Commission showing a change of operator for certain unit wells in the Central Totah Unit. A check of the case file of said unit indicates that if Aztec Oil and Gas Company has become Successor Unit Operator the change was not made in accordance with Sections 7 and 8 of the Unit Agreement for the Development and Operation of the Central Totah Unit Area.

Aztec Oil and Gas Company filed an application for expansion of the Pressure Maintenance Project authorized for the unit area, but until the above matter has been properly settled, approval of the application by the Commission must be withheld.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/JEK/og

cc: Oil Conservation Commission - Aztec
United States Geological Survey - Roswell

Aztec Oil & Gas Company
2000 First National Bank Building
Dallas, Texas 75202



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

MAIL SERVICE ONE
MAR 25 AM 7 56
2778

March 23, 1966

Tenneco Oil Company
201 Wall Building
Midland, Texas 79701

Attention: Mr. Weaver W. Ralls

Gentlemen:

Your letter of November 11, 1965, transmits copies of the following ratification and joinder to the Central Totah unit agreement, No. 14-08-0001-8571, San Juan County, New Mexico:

<u>Joinder to</u>	<u>Date Received</u>	<u>Executed by</u>
Unit Agreement	November 11, 1965	L. N. and Mary C. Hagood, overriding royalty interest owners in Federal unit tracts 1 and 2

Copies of the ratification and joinder are being distributed to the appropriate Federal offices.

Sincerely yours,

(ORIG. SCD.) JOHN A. ANDERSON

JOHN A. ANDERSON

cc:

Washington (w/cy of joinder)
Farmington (w/cy of joinder)
BLM - Santa Fe (w/cy of joinder)
NMOCC - Santa Fe (ltr. only) ✓

RPearcy:jh:3-23-66

2778

Drawer 1857
Roswell, New Mexico 88201

January 29, 1964

Tenneco Oil Company
P. O. Box 1714
Durango, Colorado

Attention: Mr. R. E. Siverson

Gentlemen:

Your initial plan of operation for the Central Totah unit area, San Juan County, New Mexico, proposing the conversion of six wells to water injection status, has been approved on this date.

One approved copy of the plan is enclosed.

Sincerely yours,

(ORIG. SUB.) JOHN A. ANDERSON

JOHN A. ANDERSON
Regional Oil & Gas Supervisor

cc:
Washington (w/cy plan)
Farmington (w/cy plan)
N.M.O.C.C. - Santa Fe (ltr. only)

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

January 3, 1968

C
O
P
Y

Aztec Oil & Gas Company
2000 First National Bank Building
Dallas, Texas 75202

Attention: Mr. Gordon E. Coe

Re: Central Totah Unit
San Juan County, New Mexico

Gentlemen:

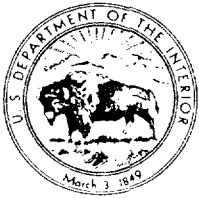
The New Mexico Oil Conservation Commission received on January 2, 1968, your letter dated December 29, 1967, and the accompanying two copies of Resignation of Tenneco Oil Company as Unit Operator and Designation of Aztec Oil and Gas Company as Successor Unit Operator for the Central Totah Unit.

The Commission hereby approves of both the Resignation and Designation of Successor Unit Operator.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/JEK/og
cc: United States Geological Survey
Roswell, New Mexico



United States Department of the Interior

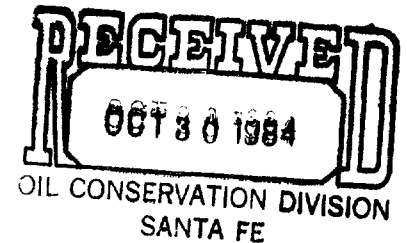
IN REPLY REFER TO:
Central-Totah Unit

BUREAU OF LAND MANAGEMENT ALBUQUERQUE DISTRICT OFFICE

505 Marquette, N.W.

P.O. Box 6770

Albuquerque, New Mexico 87197-6770



OCT 25 1984

#2778

CERTIFIED--RETURN RECEIPT REQUESTED

Paramount Petroleum Corporation
P.O. Box 22763
Houston, Texas 77027

Gentlemen:

The Central-Totah Unit Agreement, No. 14-08-0001-8571, San Juan County, New Mexico was approved effective January 1, 1964. The unit covers 3,195.36 acres in section 21, 27, 28, 33, and 34, T. 29 N., R. 13 W. and part of section 11, T. 28 N., R. 13 W., and unitized the Gallup Formation. The term of the unit agreement is for so long as unitized substances can be produced in paying quantities or diligent operations are in progress.

Our records show that the last reported production from the Central-Totah Unit was November 1982. By letter dated February 25, 1983, notice was given by our office in Farmington, New Mexico, that production tests be conducted and evidence provided to show that the unit was capable of producing in paying quantities and to continue sustained production. You were notified again by a letter dated April 14, 1983, that a production test must be conducted by May 1, 1983, and that failure to comply with that order would result in a fine and/or unit termination. To date, no evidence has been submitted to show that the unit is capable of production in paying quantities.

By letter dated July 3, 1984, and September 12, 1984, you were requested to file a Plan of Development for the unit. To date, no response to either letter has been received.

Due to the cessation of unit production and the lack of diligent operations, the Central-Totah Unit is hereby terminated as of October 1, 1984. You are requested to notify all interested parties of this action. We are sending a copy of this letter to all affected Federal offices and to the appropriate State officials.

Pursuant to 43 CFR 3165.3, effective August 12, 1983, you may request a technical or procedural review of any instructions, orders or decisions issued by the Authorized Officer. Such request, including all supporting documentation, must be filed in writing within 10 working days of the date such instructions, orders or decisions were received and must be filed with the State Director, BLM, P.O. Box 1449, Santa Fe, New Mexico 87501. Such a request shall not result in a suspension of the order unless the reviewing official so determines. The reviewing official will issue a final decision within 10 working days. Where a technical and procedural review is requested, the decision issued upon review will represent the final decision from which an appeal may be taken pursuant to 43 CFR 3165.4.

Procedures governing appeals from final decisions or orders are contained in 43 CFR 3165.4. A notice of appeal must be filed within 30 days from receipt of the final decision or order being appealed.

Sincerely yours,

(Orig. Signed)—Michael F. Reitz

District Manager **ACTING**

cc:

✓ NMOCD, Santa FE

NMSO 920

Fluids Section, FRAH

Micrographics 943B-4

Lease File (6)

Unit File

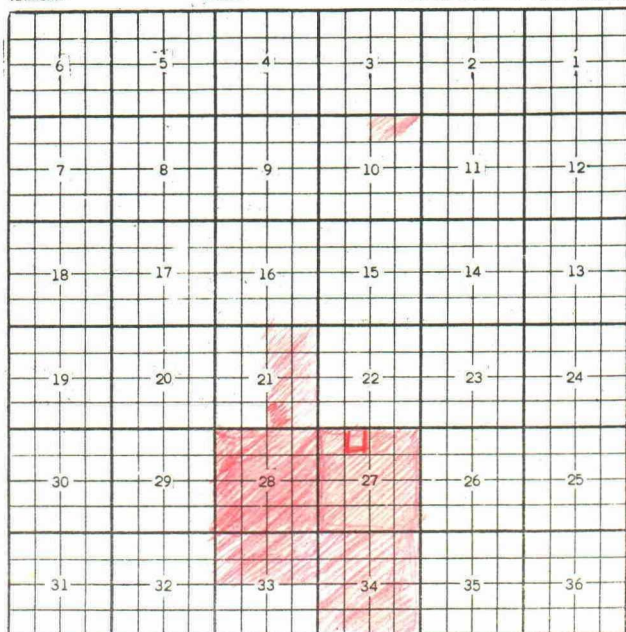
O&G Chron

Note to NMSO: Leases in
NM-0468128 and NM-0468126
were committed to the Central-
Totah Unit agreement and should
be considered for two-year
extensions as applicable.

015:RKent:tt:10/22/84:0139M

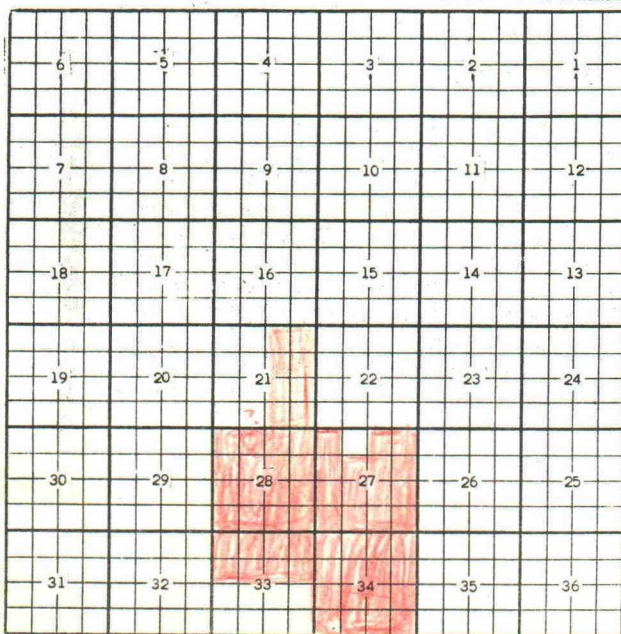
County _____ Pool _____

TOWNSHIP _____ RANGE _____ NEW MEXICO PRINCIPAL MERIDIAN



County _____ Pool _____

TOWNSHIP _____ RANGE _____ NEW MEXICO PRINCIPAL MERIDIAN



SE SE SW

County