

UNIT AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER STOGNER

Marathon

44

10341

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

<u>SECTION</u>	<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
	Preliminary Recitals. . . . .	1
1	Enabling Act and Regulations. . . . .	2
2	Unit Area and Definitions . . . . .	2
3	Exhibits. . . . .	6
4	Expansion of Unit Area. . . . .	7
5	Unitized Land . . . . .	8
6	Unit Operator . . . . .	9
7	Resignation or Removal or Unit Operator . . . . .	9
8	Successor Unit Operator . . . . .	10
9	Accounting Provisions and Unit Operating Agreement. . . . .	11
10	Rights and Obligations of Unit Operator . . . . .	12
11	Plan of Operations. . . . .	12
12	Use of Surface and Use of Water . . . . .	13
13	Tract Participation . . . . .	14
14	Allocation of Unitized Substances . . . . .	15
15	Taking Unitized Substances in Kind. . . . .	16
16	Outside Substances. . . . .	17
17	Royalty Settlement. . . . .	17
18	Rental Settlement . . . . .	19
19	Conservation. . . . .	20
20	Drainage. . . . .	20
21	Loss of Title . . . . .	20
22	Leases and Contracts Conformed and Extended . . . . .	21
23	Covenants Run with Land. . . . .	23
24	Effective Date and Term . . . . .	23
25	Rate of Prospecting, Development, and Production. . . . .	25
26	Nondiscrimination . . . . .	26
27	Appearances . . . . .	26
28	Notices . . . . .	26
29	No Waiver of Certain Rights . . . . .	26
30	Equipment and Facilities Not Fixtures Attached to Realty . . . . .	27
31	Unavoidable Delay . . . . .	27
32	Joinder . . . . .	28
33	Counterparts. . . . .	28
34	Joinder in Dual Capacity. . . . .	28
35	Taxes . . . . .	28
36	No Partnership. . . . .	29
37	Production as of the Effective Date . . . . .	29
38	No Sharing of Market. . . . .	30
39	Statutory Unitization . . . . .	30

Exhibit "A" (Map of Unit Area)

Exhibit "B" (Schedule of Ownership and Tract  
Participation)

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 31st day of May, 1991, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. 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 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 Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico is authorized by law (Chapter 70, N.M.S. 1978 Annotated) to approve this Agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the 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 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 interest in the below-defined Unit Area, and agree severally among themselves as follows:

SECTION 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.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Authorized Officer" or "A.O." is any employee of the Bureau of Land Management who has been delegated the required authority to act on behalf of the BLM.

(b) "Department" is defined as the Department of the Interior of the United States of America.

(c) "Division" is defined as the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico.

(d) "Effective Date" is the date determined in accordance with Section 24, or as redetermined in accordance with Section 39.

(e) "Oil and Gas Rights" is 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.

(f) "Outside Substances" is any substance obtained from any source other than the Unitized Formation and injected into the Unitized Formation.

(g) "Plan of Operations" is defined as that statement of the nature of the operations Unit Operator contemplates conducting in furtherance of the purposes of this Agreement, as approved by Working Interest Owners, the A.O. and the Division.

(h) "Proper BLM Office" is defined as the Bureau of Land Management office having jurisdiction over the federal lands included in the Unit Area.

(i) "Royalty Interest" or "Royalty" is an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor or by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for or produce unitized substances.

(j) "Royalty Owner" is the owner of a Royalty Interest.

(k) "Secretary" is defined as the Secretary of the Interior of the United States of America, or his duly authorized delegate.

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

(m) "Tract Operator" is defined as the respective operator of each tract within the Unit Area prior to unitization.

(n) "Tract Participation" is defined as the percentage of participation shown on Exhibit "B" for allocating Unitized Substances to a Tract under this Agreement.

(o) "Unit Area" is defined as those lands described in Exhibit "B" and depicted on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area, containing 880 acres, more or less, in Eddy County, New Mexico.

(p) "Unit Equipment" is 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.

(q) "Unit Expense" is 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.

(r) "Unit Manager" is any Working Interest Owner appointed by the other Working Interest Owners to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 7 hereof.

(s) "Unit Operating Agreement" is the agreement entered into by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be entitled "Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico".

(t) "Unit Operations" is any operation conducted pursuant to this Agreement and the Unit Operating Agreement.

(u) "Unit Operator" is the Working Interest Owner designated by the other Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations.

(v) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract.

(w) "Unitized Formation" shall mean that vertical interval underlying the Unit Area, known as the Bone Spring Second Carbonate. ~~This interval is commensurate to the interval shown in the type log from the Marathon Johnson "B" Federal No. 4, Section 11, T-18-S, R-31-E, Eddy County, New Mexico. This interval is 7,908 feet below KB (-4,156 feet subsea) to 8,190 feet below KB (-4,428 feet subsea).~~

(x) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquidifiable hydrocarbons, other than Outside Substances, within and produced from the Unitized Formation.

(y) "Working Interest" is the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, operating agreement, or otherwise held, 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 and producing the Unitized Substances from the Unitized Formation and operations thereof hereunder. Provided that any royalty interest created out of a working interest subsequent to the execution of this Agreement by the owner of the working interest shall continue to be subject to such working interest burdens and obligations.

(z) "Working Interest Owner" is any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or

otherwise. The owner of oil and gas rights that are free of lease or other instrument creating a Working Interest in 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.

SECTION 3. EXHIBITS. The following exhibits are incorporated herein by reference: Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit 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 comprising each Tract, percentages and kind of ownership of oil and gas interests in all land in the Unit Area, and Tract Participation of each Tract. 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. The shapes and descriptions of the respective Tracts have been established by using the best information available. Each Working Interest Owner is responsible for supplying Unit Operator with accurate information relating each Working Interest Owner's interests. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date hereof, should be divided into more than one Tract, or when any revision is requested by the A.O., or any correction of any error other than mechanical miscalculations or clerical is needed, then the Unit Operator, with the approval of the Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any reevaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of



an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each other such revision on an exhibit shall be effective at 7:00 a.m., on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit. Not less than four (4) copies shall be filed with the A.O. In any such revision, there shall be no retroactive allocation or adjustment of Unit Expense or of interest in the Unitized Substances produced, or proceeds thereof.

SECTION 4. EXPANSION OF UNIT AREA. The Unit Area may, with the approval of the A.O., be expanded when practicable to include therein any additional Tract or Tracts whenever such expansion is regarded as reasonably necessary or advisable to conform with the purposes of this Agreement provided, however, in any such expansion there shall be no retroactive allocation or adjustment of Unit Expense or interests in the Unitized Substances produced or proceeds thereof. Such expansion may be accomplished either by order of the Division in accordance with Chapter 70, Article 7, N.M.S. 1978, Ann., as heretofore or hereafter amended from time to time, or pursuant to the following procedure:

(a) Unit Operator, acting on behalf of Working Interest Owners, shall negotiate an agreement with the owners of interests in the Tract or Tracts to be added setting out the basis for admission of the additional Tract or Tracts and the Tract Participation to be assigned to each Tract in the enlarged Unit Area. The revised Tract Participation of the respective Tract or Tracts included within the Unit Area prior to such enlargement shall remain in the same ratio one to another. Following commitment of all interests in the Tract or Tracts to be added to the agreement, Unit Operator shall submit the agreement to Working Interest Owners for approval.

(b) If at least three Working Interest Owners having in the aggregate eighty percent (80%) of the Unit Participation then in effect agree to inclusion of such Tract or Tracts in the Unit Area, then Unit Operator shall:

(1) After obtaining preliminary concurrence by the A.O., prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract Participation to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the A.O. at the proper BLM Office, each Working Interest Owner and to the last known address of each lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the A.O. the following: (a) evidence of mailing or delivering copies of said notice of expansion; (b) an application for approval of such expansion; (c) a copy of all objections received along with Unit Operator's response thereto.

The expansion shall, after due consideration of all pertinent information and approval by the A.O., become effective as of the date prescribed in the notice thereof, or as amended and agreed to by the A.O., the Division and Unit Operator. The effective date of the expansion shall be the date as set out in the Certificate of Effectiveness, which will be filed of record as required in Section 24 hereof.

SECTION 5. UNITIZED LAND. All land committed to this Agreement as to the Unitized Formation shall constitute land referred to herein as "Unitized Land"

or "Land subject to this Agreement". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as defined in Section 2(w) of this Agreement.

SECTION 6. UNIT OPERATOR. Marathon Oil Company is hereby designated the Unit Operator, and by signing this instrument as Unit Operator, agrees and consents to accept the duties and obligations of Unit Operator for the operation, 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, when such interests are owned by it and the term "Working Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 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 written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, and the A.O. unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator shall, upon default or failure in the performance of its duties and obligations hereunder, be subject to removal by Working Interest Owners having the aggregate eighty percent (80%) or more of the Unit Participation then in effect exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the A.O.

If Operator becomes insolvent, bankrupt, is placed in receivership or sells all of its interest in the Unit, it shall be deemed to have automatically resigned without any action by Non-Operators.

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

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials, appurtenances and any other assets used in connection with the Unit Operations to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 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 select a successor Unit Operator as herein provided. 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 A.O. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the A.O., at his election, may declare this Agreement terminated.

In selecting a successor Unit Operator, the affirmative vote of three (3) or more Working Interest Owners having a total of eighty percent (80%) or more of the total Unit Participation shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more than twenty percent (20%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one or more other Working Interest Owners having a total Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of the owners of at least seventy-five percent (75%) of the Unit Participation remaining after excluding the Unit Participation of Unit Operator so removed.

In the event no Working Interest Owner obtains the percentage necessary to become successor Unit Operator under this Section, a Unit Manager shall be selected by a plurality vote of the Working Interest Owners and shall perform the duties of Unit Operator until a successor Unit Operator is elected.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. 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 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 Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the A.O. at the Proper BLM Office as required prior to approval of this Agreement.

SECTION 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 are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request, 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.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances or is necessary for Unit

Operations and that the object and purpose of this Agreement is to formulate and to put into effect an improved recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. Unit Operator shall have the right to inject into the Unitized Formation any substances for enhanced recovery or pressure maintenance purposes in accordance with a Plan of Operations approved by the Working Interest Owners, the A.O., and the Division, including the right to drill and maintain injection wells on the unitized Land and completed in the Unitized Formation, and to use abandoned wells or wells producing from the Unitized Formation for said purpose. Subject to like approval, the Plan of Operations may be revised as conditions may warrant.

The initial Plan of Operations shall be filed with the A.O., and the Division concurrently with the filing of this Unit Agreement for final approval. Said initial Plan of Operations and all revisions thereof shall be as complete and adequate as the A.O., and the Division may determine to be necessary for timely operation consistent herewith. Upon approval of this Agreement and the initial plan by the A.O., said plan, and all subsequently approved plans, shall constitute the operating obligations of the Unit Operator under this Agreement. After such operations are commenced, reasonable diligence shall be exercised by the Unit Operator in complying with the obligations of the approved Plan of Operation.

Notwithstanding anything to the contrary herein contained, should the Unit Operator fail to commence Unit Operations for the secondary recovery of Unitized Substances from the Unit Area within eighteen (18) months after the effective date of this Agreement, or any extension thereof approved by the A.O., this Agreement shall terminate automatically as of the date of default.

SECTION 12. USE OF SURFACE AND USE OF WATER. The parties, to the extent

of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner or surface owner.

Working Interest Owners shall pay the surface owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations and such payments shall be considered items of Unit Expense to be borne by all the Working Interest Owners.

SECTION 13. ~~UNITIZATION~~ In Exhibit "B" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, during Unit Operations. The Tract Participation of each Tract as shown in Exhibit "B" was determined in accordance with the following formula:

5% x  $\frac{\text{acres in Tract}}{\text{acres in Unit}}$  plus

6% x  $\frac{\text{usable wellbores in Tract}}{\text{usable wellbores in Unit}}$  plus

56% x  $\frac{\text{sum of active day average oil rates for all wells on Tract for period of Oct. 1, 1990 through March 31, 1991.}}{\text{sum of active day average oil rates for all wells in Unit for period of Oct. 1, 1990 through March 31, 1991.}}$  plus

33% x  $\frac{\text{remaining primary oil under the Tract as of April 1, 1991}}{\text{remaining primary oil under the Unit as of April 1, 1991}}$

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 if any Tract is excluded from this Agreement as provided



for in Section 21 (Loss of Title), the Schedule of participation as shown in Exhibit "B" shall be revised by the Unit Operator, pursuant to the terms of this Agreement; and the revised Exhibit "B", upon approval by the A.O., shall govern the allocation of production on and after the Effective Date thereof until a revised schedule is approved as hereinabove provided.

SECTION 14. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, and other production or development purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the A.O.) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participation factors effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B". The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract) shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties 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.

No Tract committed to this Agreement shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances.

If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned now or hereafter in severalty by different persons, the Tract Participation shall in the absence of a recordable instrument executed by all owners in such Tract and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

SECTION 15. TAKING UNITIZED SUBSTANCES IN KIND. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose within the Unitized Area, provided the same are so constructed, maintained and operated as not to interfere with Unit Operations. Subject to Section 17 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party taking delivery. In the event any Working Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation, then so long as such condition continues, Unit Operator, for the account and at the expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing the operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such production to itself or to others, provided that all contracts of sale by Unit Operator of any other party's share of Unitized Substances 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 contract be for a period in excess of one year, and at not less than the prevailing market price in the area for like production, and the account

of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner thirty (30) days' notice of such intended sale.

Any Working Interest Owner receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty, overriding royalty and production payments due thereon, and each such party shall hold each other Working Interest Owner harmless against all claims, demands and causes of action by owners of such royalty, overriding royalty and production payments.

SECTION 16. OUTSIDE SUBSTANCES. If gas (including but not limited to carbon dioxide and nitrogen) obtained from formations not subject to this Agreement is introduced into the Unitized Formation for use in repressuring, stimulating production or increasing ultimate recovery which shall be in conformity with a Plan of Operation first approved by the A.O., a like amount of gas with appropriate deduction for loss or depletion from any cause may be withdrawn from unit wells completed in the Unitized Formation royalty free as to dry gas, but not royalty free as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Operations or as otherwise may be consented to or prescribed by the A.O. as conforming to good petroleum engineering practices and provided further that such right of withdrawal shall terminate on the termination date of this

Agreement.

SECTION 17. ROYALTY SETTLEMENT. The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any Tract unitized hereunder, shall continue to be entitled to such right 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, law and regulations. Settlement for Royalty 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 the Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under the leases, except that such Royalty shall be computed on Unitized Substances as allocated to each Tract in accordance with the terms of this Agreement. With respect to Federal leases committed hereto on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations pertaining to Federal leases as though the committed Tracts were included in a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline runs per well from such Tract during any period of time, then such production shall be determined from and after the Effective Date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon capable of producing Unitized Substances as of the Effective Date hereof,

provided that any Tract not having any well so capable of producing Unitized Substances on the Effective Date hereof shall be considered as having one such well for the purpose of this provision.

All royalty due the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective Tract or Tracts committed hereto, in lieu of actual production from such Tract or Tracts.

With the exception of Federal requirements to the contrary, Working Interest Owners may use or consume Unitized Substances for Unit Operation and no Royalty, overriding royalty, production or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a Tract or Tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interests of all parties shall be adjusted accordingly.

SECTION 18. RENTAL SETTLEMENT. Rentals or minimum Royalties due on the leases committed hereto shall be paid by the 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 for the payment of any rental or minimum Royalty in lieu thereof, due under their leases. Rental or minimum Royalty for lands of the United States of America subject to this Agreement shall be paid at the rate

specified in the respective leases from the United States of America, unless such rental or minimum Royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 19. 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 Federal and State laws and regulations.

SECTION 20. DRAINAGE. The Unit Operator shall take all reasonable and prudent measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

The Unit Operator, upon approval by the Working Interest Owners, and the A.O., is hereby empowered to enter into a borderline agreement or agreements with working interest owners of adjoining lands not subject to this Agreement with respect to operation in the border area for the maximum economic recovery, conservation purposes and proper protection of the parties and interest affected.

SECTION 21. LOSS OF TITLE. In the event title to any Tract of unitized land shall fail and the true owner cannot be induced or compelled to join in this 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 title to any Royalty, Working Interest, or other interests 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 lands or leases, no payments of funds due the United States shall be withheld, but such funds shall be deposited as directed by the A.O. 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.

If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgement of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

Each Working Interest Owner shall indemnify, hold harmless, and defend all other Working Interest Owners against any and all claims by any party against the interest attributed to such Working Interest Owner on Exhibit "B".

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

SECTION 22. 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 on 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 shall and by his approval hereof, or by the approval hereof by his

duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each Tract subject to this Agreement, regardless of whether there is any development of any 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, producing or improved recovery operations performed hereunder shall be deemed to be performed upon and for the benefit of each Tract, 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 within the Unit Area pursuant to direction or consent of the A.O., or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each Tract within the Unitized Area.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil and gas 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) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 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."

SECTION 23. 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 successor in interest. No assignment or transfer of any Working 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, or acceptable photostatic or certified copy, of the recorded instrument or transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument or transfer.

SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. Eddy County, New Mexico local time on the later of (1) January 1, 1992 or (2) the first day of the calendar month next following the approval of this Agreement by all of the Working Interest Owners and all of the Royalty Owners and final approval of this Agreement by the A.O. and the approval of the Plan of Operations by the A.O. and the Division.

If this Agreement does not become effective on or before January 1, 1993, it shall ipso facto expire on said date (hereinafter called "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least eighty percent (80%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so extended and this Agreement does not become effective on or before Extended Expiration Date, it shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Eddy County, New Mexico, a Certificate of Effectiveness describing the lands and unitized formation committed and stating the effective date of the Agreement.

The term of this Agreement shall be for and during the time that Unitized Substances are produced from the unitized land and so long thereafter as drilling, reworking or other operations (including improved recovery operations)

are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the A.O. by Working Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable, or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Eddy County, New Mexico, within thirty (30) days of the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

Notwithstanding any other provision in the leases unitized under this Agreement, Royalty owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 25. 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 A.O. 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 Division 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.

Powers in this Section vested in the A.O. shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

SECTION 26. NONDISCRIMINATION. Unit Operator in connection with the performance of work under this Agreement relating to leases of the United States, agrees to comply with all of the provisions of Section 202(1) to (7) inclusive of Executive Order 11246, (30 F.R. 12319), which are hereby incorporated by reference in this Agreement.

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any interests affected hereby before the Department, and the Division, and to appeal from any order issued under the rules and regulations of the Department or the Division, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department or the Division or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified or registered mail, addressed to such party or parties at their last known address set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the

notice, demand or statement.

SECTION 29. 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 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, each party hereto covenants that it will not resort to any action to partition the Unitized Land or the Unit Equipment.

SECTION 30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this Agreement various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all purposes of this Agreement, any such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this Agreement, and it is agreed that any such equipment and personal property shall be and remain personal property of the Working Interest Owners for all purposes.

SECTION 31. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue improved recovery operations 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, acts of God, Federal, State

or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 32. JOINDER. Joinder to this Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Agreement.

SECTION 33. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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 land within the described Unit Area. Furthermore, this Agreement shall extend to and be binding on the parties hereto, their successors, heirs and assigns.

SECTION 34. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party; provided, that if the party is the owner of a Working Interest, he must also execute the Unit Operating Agreement.

SECTION 35. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account

of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No taxes shall be charged to the United States, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligation as herein provided.

SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the Unit Area in order to ascertain the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 a.m. on the Effective Date hereof. All such oil which has then been produced in accordance with established allowables shall be and remain the property of the Working Interest Owner entitled thereto, the same as if the unit had not been formed; and the responsible Working Interest Owner shall promptly remove said oil from the Unitized Land. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms hereof. 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 over-produced with

respect to the allowable of the wells on that Tract and the amount of over-production has been sold or otherwise disposed of, which over-production 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.

SECTION 38. NO SHARING OF MARKET. This Agreement is not intended to provide and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Unitized Substances.

SECTION 39. STATUTORY UNITIZATION. It is the intent of the Working Interest Owners to utilize the New Mexico Statutory Unitization Act in the formation of this Unit, if necessary. Following execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning at least seventy-five percent (75%) Unit Participation, Unit Operator may, if in its sole judgment such is necessary to the formation of the Unit, apply to the Division for statutory unitization of the uncommitted interest pursuant to Chapter 70, Article 7, N.M.S. 1978, Annotated. Unit Operator shall seek in its application for statutory unitization an effective date for the Unit of January 1, 1992. If such application is made and statutory unitization is approved by the Division, then effective as of the date of the Division's order approving statutory unitization, this Agreement and/or the Unit Operating Agreement will automatically be revised and/or amended in accordance with the following:

(1) Section 24 of this Agreement shall be revised by substituting for the first three paragraphs of said section the following:

"SECTION 24. EFFECTIVE DATE AND TERM. If and when the Working Interest Owners owning at least seventy-five percent (75%) Unit Participation and Royalty Owners owning at least seventy-five percent (75%) Royalty Interest have become



parties to this Agreement, and such Working Interest Owners have also in a like manner become parties to the Unit Operating Agreement, this Agreement shall become effective on the date and time indicated in the Division's order, or supplemental order approving the Unit, said date being mutually agreed upon by the A.O., the Division and the Unit Operator. In order for this Agreement to become effective, it must receive approval from the A.O., and the Division. The Division's order approving statutory unitization based upon the terms and conditions of this Agreement, as amended (if any amendment is necessary to conform to the Division's order) shall be referenced by Unit Operator when filing this Agreement or notice thereof for record in the office of the County Clerk of Eddy County, New Mexico. Unit Operator shall notify the Working Interest Owners of the effective date of this Agreement."

Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for record in the office of the County Clerk of Eddy County, New Mexico, a certificate to the effect that this Agreement has become effective in accordance with its terms, therein identifying the Division's order approving statutory unitization and stating the Effective Date."

(2) This Agreement and/or the Unit Operating Agreement shall be amended in any and all respects necessary to conform to the Division's order approving statutory unitization.

Any and all amendments of this Agreement and/or the Unit Operating Agreement that are necessary to conform said agreements to the Division's order approving statutory unitization shall be deemed to be hereby approved in writing by the parties hereto without any necessity for further approval by said parties, except as follows:

(a) If any amendment of this Agreement has the effect of reducing any

Royalty Owner's participation in the production of Unitized Substances, such Royalty Owner shall not be deemed to have hereby approved the amended agreement without the necessity of further approval in writing by said Royalty Owner; and

(b) If any amendment of this Agreement and/or the Unit Operating Agreement has the effect of reducing any Working Interest Owner's participation in the production of Unitized Substances or increasing such Working Interest Owner's share of Unit Expense, such Working Interest Owner shall not be deemed to have hereby approved the amended agreements without the necessity of further approval in writing by said Working Interest Owner.

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

Date of Execution:

5-31-91

MARATHON OIL COMPANY

By: R. S. Keisler  
R. S. Keisler  
Attorney-In-Fact



Date of Execution:

\_\_\_\_\_

Pennzoil Exploration & Producing Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Wainoco Oil & Gas Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Francis H. Hudson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Delmar H. Lewis

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Edward R. Hudson, Jr., & William  
A. Hudson, II, Trustees U/W  
Edward R. Hudson

By: \_\_\_\_\_  
Edward R. Hudson, Jr.

\_\_\_\_\_  
William A. Hudson, II

Date of Execution:

\_\_\_\_\_

Moore & Shelton Co., Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James H. Yates, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Colkelan Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Explorers Petroleum Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Exby, Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Employees Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Spiral, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Yates Energy Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Development Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Atlantic Richfield Co.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Laurelind Corporation

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Tom Stephens

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Rogers Aston

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Bearing Services

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Manzano Oil Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James Guy

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Loy Fletcher

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

J. T. Jackson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Kerr-McGee Corp.

By: \_\_\_\_\_

State of Texas           §  
                              § ss.  
County of Midland       §

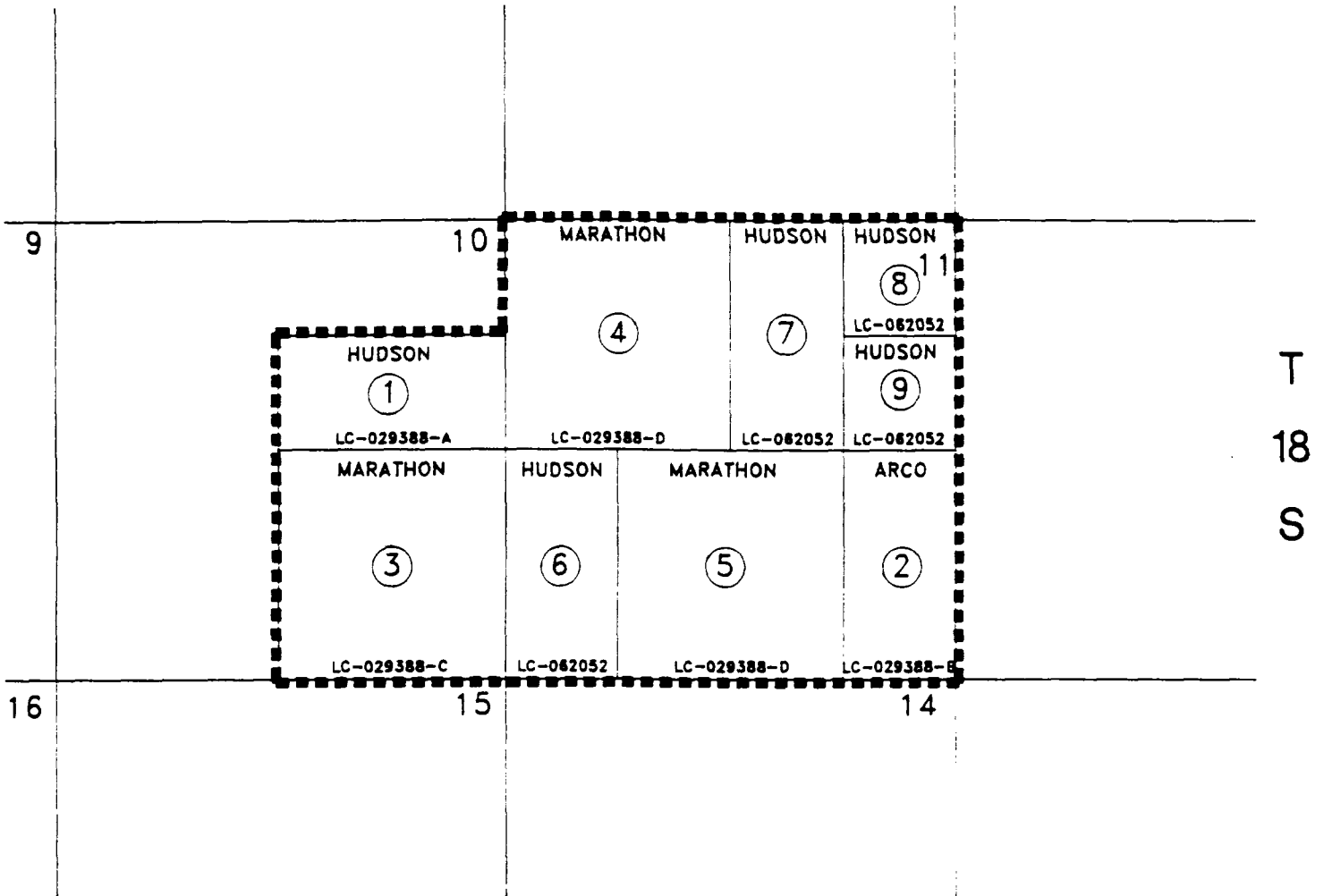
The "Unit Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico" was  
acknowledge before me by R. S. Keisler, Attorney-in-Fact for Marathon Oil  
Company, this 31st day of May, 1991.

Witness my hand and official seal.

*Daniel A. Hunt*  
Notary Public

My commission expires: 4-27-93

R - 31 - E



# LEGEND

----- UNIT BOUNDARY

① TRACT NUMBER

## EXHIBIT "A" TAMANO (BSSC) UNIT

EDDY COUNTY, NEW MEXICO

UNIT AREA - 880.00 ACRES  
(ALL FEDERAL LANDS)

SCALE: 1" = 2000'



**EDDY COUNTY, NEW MEXICO**

Tra <sup>c</sup> t No. & T <sup>r</sup> a <sup>c</sup> t Name	Description of Land	Acre <sup>s</sup>	Ser <sup>i</sup> al No. & Eff. Date	Bas <sup>i</sup> c Royalty Owner and Percentage	Lesse <sup>e</sup> e of Record	Ov <sup>e</sup> rriding Royalty Owner and Percentage	Work <sup>i</sup> ng Interest Owner and Percentage	P <sup>a</sup> rcentage Participation of T <sup>r</sup> a <sup>c</sup> t in Unit		
1	S/2NE/4 Section 10	80	LC-629398-A	USA 12.5	Francis H. Hudson Belmar R. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/V Edward R. Hudson	John W. Nibbling First Interstate Bank of Resonati, Trustee U/V Serdilning O. Johnson S. P. Johnson, III & Patricia J. Cooper Trustee U/V of S. P. Johnson, Jr. Ludwick Energy, Inc. Richard B. Ludwick Laura Patricia Ludwick Jedn Widny Ludwick Laura B. Ludwick Spindletop Exploration Co. Nury Elizabeth Balsh Katherine Mary Scott Betty Balsh Struhmeyer Margaret Balsh Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/85 for	2.125000 .063333 .125000 .208333 .208334 .625000 .500000 .100000 .100000 .300000 2.400000 1.250000	Norathon Oil Company & Pennzoil Exploration & Production Company Valinco Oil & Gas Co. Francis H. Hudson Belmar R. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/V Edward R. Hudson Moore & Shelton Co., Ltd.	25.000000 29.208766 20.791240 5.312500 5.312500 5.312500 10.625000 3.750000	1.74951
Stretto 10 Fed #2	T-10-S, R-31-E		12-15-59			Ralph A. Shugart Margaret Jane Johnson HCMS Tr. Nat'l Bank & C. R. Hollison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Brallie Institute of America Karen Elizabeth Charles	.250000 1.500000  .268525 .231475 .100000			

EXHIBIT 'g'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMAKO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage		Working Interest Owner and Percentage		Percentage Participation of Tract in Unit
2 A. J. 11 Fed.	E/2SE/4 Section 11 T-18-S, R-31-E	80	LC-029308-8 12-15-39	USA (bidding scale)	AMCO Oil & Gas Co.	Evelyn Jackson Edwards Floyd Gentry Karen Gentry Schurig Janice Gentry Riddick Mary C. Fulton Charles Kyle Clark	1,500,000 .750000 .750000 .750000 1,875,000 1,875,000	James B. Yates, Inc. Coltman Corp. Explorers Pet. Corp. Eddy, Ltd. Rayco Employees Ltd. Spiral, Inc. Yates Energy Corp. Rayco Dev. Corp. AMCO Oil & Gas Co.	.035000 .035000 2,440,375 1,250,000 1,285,000 3,719,375 15,765,486 23,420,766 50,000,000	2.68%5

EXHIBIT 'B'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE JAWAD (SSSC) UNIT  
 EROU COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
3	SE/4 Section 10	160	LC-029308-C	USA 12.5	Marathon Oil Company	John W. Nigline Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/26/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustee U/A S. P. Johnson Jr. 2.125000 Ludwig Energy, Inc. .003333 Richard B. Ludwig .125000 Laura Patricia Ludwig .208333 John Wilbey Ludwig .208334 Laura B. Ludwig .425000 Spindletop Exploration Co. .500000 Mary Elizabeth Balish .016666 Katherine Mary Scott .016667 Betty Balish Stridmeyer .050000 Margaret Balish Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart .250000 Margaret Jane Johnston .250000 WCBH Tr. Nat'l Bank & C.R. Hallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America .231675 Karen Elizabeth Charles .016666	Marathon Oil Company 25.000000 Pennco Oil Exploration & Production Co. 29.208760 Unifrac Oil & Gas Co. 28.791240 Francis R. Hudson 5.312500 Belmar R. Lewis 5.312500 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 10.425000 Moore & Sholtan Co. Ltd. 3.750000	30.91562
Steele 10 Fed. #1 & 3	SE/4 Section 10 T-10-S, R-31-E	160	12-28-39					

**EDDY COUNTY, NEW MEXICO**

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
4 Union B. Prod. 1.01	SW/4 Section 11 T-10-S, R-31-E	160	LC-029388-D 12-20-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 100.0	22.6994

EXHIBIT 'B'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITED FORMATION FOR THE TAMUO (BSSC) UNIT  
 EDOY COAST, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
5 Johnson B Federal	E/2SW/4, W/2SE/4 Section 11 T-18-S, R-31-E	160	LC-029308-D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 66.66667 Francis R. Hudson 7.083334 Delmar R. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/V Edward R. Hudson 16.166667 Moore & Shellen Co. Ltd. 6.999999	23.05599

[illegible]

[illegible]

**EDDY COUNTY, NEW MEXICO**

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessor of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit	
8 Nadson 11 Fed. #5	NE/4NW/4 Section 11 T-18-S, R-31-E  Exchange 12-1-59	40	LC-062052 12-15-59	USA 12.5	Francis B. Nadson Delmar H. Lewis Edward R. Nadson, Jr., & William A. Nadson, II, Trustees U/W Edward R. Nadson	Margaret Balch Masters Betty Balch Strickmeyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balch Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis B. Nadson Delmar H. Lewis Edward R. Nadson, Jr. & William A. Nadson, II, Trustees U/W Edward R. Nadson	2,000000 .250000 .003334 .003333 .003333 1,250000 1,250000 James B. Yates, Inc. Colleen Corp. Explorers Pet. Corp. Edby, Ltd. Hercy Employees Ltd. Spirfel, Inc. Yates Energy Corp. Hercy Dev. Corp. MCO Oil & Gas Co.	.055000 .035000 2.449375 1,250000 1,205000 3,719375 15,785444 25,420764 50,000000	1,44916
						Moore & Shelton Co., Ltd. Sally Mosher-Ruberte O. E. Groves Explorers Petroleum Corp. Edby, Ltd. Hercy Employees, Ltd. Spirfel, Inc. Yates Energy Corp. Hercy Development Corp. W. T. Byrns	5,187500 1,125000 .250000 .250000 .024364 .012500 .012500 .036444 .157855 .247207 .008750		



**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UNITIZED FORMATION FOR THE TAWAKO (SSC) UNIT**  
**EBOT COUNTY, NEW MEXICO**

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Percentage Participation of Tract in Unit			
							Working Interest Owner and Percentage			
9 Nudon 11 Tract 02	SE/4NE/4 Section 11 T-10-S, R-31-E	40	LC-062052 12-15-39 Exchange 12-1-59	USA (colliding scale)	Francis H. Nudon Dellmar R. Lewis Edward R. Nudon, Jr., & William A. Nudon, III, Trustee U/W Edward R. Nudon	Margaret Balish Masters Betty Balish Strohmyer Karon Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis H. Nudon Dellmar R. Lewis Edward R. Nudon, Jr. & William A. Nudon, III, Trustees U/W Edward R. Nudon, Deceased Moore & Shelton Co., Ltd. Sally Header-Roberts O. E. Groves Explorers Petroleum Corp. Esby, Ltd. Meyco Employees, Ltd. Spiral, Inc. Vates Energy Corp. Meyco Development Corp. W. T. Wynn	2.000000 .250000 .003334 .003333 .003333 1.250000 1.250000 1.593750 1.593750 1.250000 3.187500 1.125000 .250000 .250000 .024344 .012500 .012500 .036064 .157855 .267207 .008750	James H. Vates, Inc. Collection Corp. Explorers Pet. Corp. Esby, Ltd. Meyco Employees Ltd. Spiral, Inc. Vates Energy Corp. Meyco Dev. Corp. AMCO Oil & Gas Co.	.035000 .035000 2.469375 1.250000 1.205000 3.719375 15.705406 25.420766 50.000000	1.00235

RATIFICATION OF UNIT AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the Tamano (BSSC) Unit covers lands described as follows: All of Section 11 and S/2NE/4, SE/4 Section 10, T18S, R31E, Eddy County, New Mexico;

WHEREAS, an agreement entitled "Unit Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico", dated May 31, 1991, provides that owners of working, royalty or other oil and gas interests in the Unit Area may become parties to the Agreement by executing a separate instrument ratifying or consenting to the Agreement; and

WHEREAS, the undersigned own(s) an Overriding Royalty Interest in one or more of the Tracts described in said Unit Agreement;

NOW, THEREFORE, in consideration of the mutual agreements of the parties to the Unit Agreement, the undersigned Overriding Royalty Interest Owner(s) hereby agree(s) to become party/parties to and hereby adopt, ratify and confirm the Unit Agreement with respect to all of her, his, its or their Oil and Gas Rights in all of the Tracts described in said Unit Agreement.

The undersigned Overriding Royalty Interest Owner(s) hereby acknowledge receipt of a copy of the Unit Agreement, together with all Exhibits thereto.

IN WITNESS WHEREOF, the undersigned has/have executed this instrument on the date set forth next to her, his, its or their signature(s). This instrument may be signed in counterparts.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

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

Tamano (BSSC) Unit Ratification - Execution by Trustee or Personal Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Entity (name of trust or estate)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as \_\_\_\_\_ on behalf of \_\_\_\_\_

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Entity (name of trust or estate)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as \_\_\_\_\_ on behalf of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

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

Tamano (BSSC) Unit Ratification - Execution by Partnership

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name of Partnership

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as the \_\_\_\_\_ on behalf of \_\_\_\_\_ a partnership.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

Tamano (BSSC) Unit Ratification - Execution by Corporation

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Corporation

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_ a corporation on behalf of the corporation.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

FIRST AMENDMENT TO  
UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

This Amendment, entered into as of the \_\_\_\_\_ day of June, 1991, by and between the parties to the "Unit Agreement For The Development and Operation Of The Tamano (BSSC) Unit, Eddy County, New Mexico",

WITNESSETH:

WHEREAS the Bureau of Land Management of the United States Department of the Interior has approved the form of the "Unit Agreement For The Development and Operation Of The Tamano (BSSC) Unit, Eddy County, New Mexico", subject to certain revisions being made to Section 24 of the Agreement and to Exhibit "B", the parties to the Unit Agreement hereby agree as follows:

1. The language of paragraph 4 of Section 24 of the Agreement is changed to insert the words "in paying quantities" after the words "Substances are produced" in line 2 of that paragraph.
2. Exhibit "B" is revised to reflect Francis H. Hudson and Delmar H. Lewis as each being the lessee of record of a 50% interest in the leases covering Tracts 1, 6, 7, 8, and 9 of the Tamano (BSSC) Unit. Exhibit "B", First Revision, is attached to this Amendment and adopted in its entirety as the current effective Exhibit "B" to the Unit Agreement.


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

Date of Execution:

6/21/91

MARATHON OIL COMPANY

By:

  
A. R. Kukla  
Attorney-In-Fact

Date of Execution:

\_\_\_\_\_

Pennzoil Exploration & Producing  
Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Wainoco Oil & Gas Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Francis H. Hudson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Delmar H. Lewis

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Edward R. Hudson, Jr., & William  
A. Hudson, II, Trustees U/W  
Edward R. Hudson

By: \_\_\_\_\_  
Edward R. Hudson, Jr.

\_\_\_\_\_  
William A. Hudson, II

Date of Execution:

\_\_\_\_\_

Moore & Shelton Co., Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James H. Yates, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Colkelan Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Explorers Petroleum Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Exby, Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Employees Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Spiral, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Yates Energy Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Development Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

ARCO Oil & Gas Co.

By: \_\_\_\_\_



Date of Execution:

\_\_\_\_\_

Laurelind Corporation

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Tom Stephens

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Rogers Aston

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Bearing Services

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Manzano Oil Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James Guy

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Loy Fletcher

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

J. T. Jackson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Kerr-McGee Corp.

By: \_\_\_\_\_

State of Texas           §  
                                  § ss.  
County of Midland       §

The "First Amendment To Unit Agreement For The Development And Operation  
Of The Tamano (BSSC) Unit, Eddy County, New Mexico" was acknowledge before me by  
A. R. Kukla, Attorney-in-Fact for Marathon Oil Company, this 21<sup>st</sup> day of June,  
1991.

Witness my hand and official seal.

*W. A. Hest*  
Notary Public

My commission expires: 4-27-93

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	50.0%	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit		
1 Steele 10 and #2	S/2NE/4 Section 10 T-18-S, R-31-E	80	LC-029388-A 12-15-39	USA 12.5	Francis R. Hudson Delmar R. Lewis 50.0%	50.0%	John W. Higgins First Interstate Bank of Roswell, Trustee U/W Geraldine O. Johnson S. P. Johnson, III & Patricia J. Cooper Trustee U/W of S. P. Johnson, Jr. Lodewick Energy, Inc. Richard B. Lodewick Laura Patricia Lodewick John Widmy Lodewick Laura B. Lodewick Spindletop Exploration Co. Mary Elizabeth Balish Katherine Mary Scott Betty Balish Strohmeyer Margaret Balish Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnson KCHS Tr. Nat'l Bank & C. R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Breille Institute of America Karen Elizabeth Charles	2,125,000 .003333 .125000 .208333 .208334 .625000 .500000 .100000 .100000 .300000 2,400,000 1,250,000  -250,000 1,500,000  -268,725 -234,475 1,000,000	Herathon Oil Company Perrizoil Exploration & Production Company Valinco Oil & Gas Co. Francis R. Hudson Delmar R. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/W Edward R. Hudson Moore & Shelton Co., Ltd.	25,000,000 29,208,760 20,791,240 5,312,500 5,312,500  10,625,000 3,750,000	1.74951

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
2	E/2SE/4 Section 11	80	LC-029306-8	USA	AMCO Oil & Gas Co.	Evelyn Jackson Edwards Floyd Gentry Karen Gentry Schurig Janice Gentry Middlebrooks Mary C. Fulton Charles Kyle Clark	James N. Yates, Inc. Colbelsan Corp. Explorers Pet. Corp. Embry, Ltd. Meyco Employees Ltd. Spiral, Inc. Yates Energy Corp. Meyco Dev. Corp. AMCO Oil & Gas Co.	.035000 2.469375 1.250000 1.285000 3.719375 15.785404 25.420766 50.000000
J. 11 Fed.	T-18-S, R-31-E		12-15-39	(alliding scale)		1.500000 .750000 .750000 1.875000 1.875000		2.46945

EXHIBIT 'B', FIRST REVISION  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
3	SE/4 Section 10	160	LC-029388-C	USA 12.5	Marathon Oil Company	John W. Wiggins Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/24/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustee U/A S. P. Johnson Jr. 2.125000 Lodewick Energy, Inc. .083333 Richard B. Lodewick .125000 Laura Patricia Lodewick .208333 John Vidway Lodewick .208334 Laura B. Lodewick .625000 Sprintetop Exploration Co. .500000 Mary Elizabeth Balish .016666 Katherine Mary Scott .016667 Betty Balish Strohmyer .050000 Margaret Balish Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart .250000 Margaret Jane Johnston McMB Tr. Mat'l Bank & C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 .268725 Braille Institute of America .231475 Karen Elizabeth Charles .016666	Marathon Oil Company 25.000000 Pennco Exploration & Production Co. 29.208760 Valinco Oil & Gas Co. 20.791240 Francis H. Hudson 5.312500 Delmar W. Lewis 5.312500 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 10.625000 Moore & Shelton Co. Ltd. 3.750000	30.91362
10	SE/4 Section 10	160	LC-029388-C	USA 12.5	Marathon Oil Company	John W. Wiggins Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/24/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustee U/A S. P. Johnson Jr. 2.125000 Lodewick Energy, Inc. .083333 Richard B. Lodewick .125000 Laura Patricia Lodewick .208333 John Vidway Lodewick .208334 Laura B. Lodewick .625000 Sprintetop Exploration Co. .500000 Mary Elizabeth Balish .016666 Katherine Mary Scott .016667 Betty Balish Strohmyer .050000 Margaret Balish Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart .250000 Margaret Jane Johnston McMB Tr. Mat'l Bank & C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 .268725 Braille Institute of America .231475 Karen Elizabeth Charles .016666	Marathon Oil Company 25.000000 Pennco Exploration & Production Co. 29.208760 Valinco Oil & Gas Co. 20.791240 Francis H. Hudson 5.312500 Delmar W. Lewis 5.312500 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 10.625000 Moore & Shelton Co. Ltd. 3.750000	30.91362
4, 81 & 3	SE/4 Section 10	160	LC-029388-C	USA 12.5	Marathon Oil Company	John W. Wiggins Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/24/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustee U/A S. P. Johnson Jr. 2.125000 Lodewick Energy, Inc. .083333 Richard B. Lodewick .125000 Laura Patricia Lodewick .208333 John Vidway Lodewick .208334 Laura B. Lodewick .625000 Sprintetop Exploration Co. .500000 Mary Elizabeth Balish .016666 Katherine Mary Scott .016667 Betty Balish Strohmyer .050000 Margaret Balish Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart .250000 Margaret Jane Johnston McMB Tr. Mat'l Bank & C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 .268725 Braille Institute of America .231475 Karen Elizabeth Charles .016666	Marathon Oil Company 25.000000 Pennco Exploration & Production Co. 29.208760 Valinco Oil & Gas Co. 20.791240 Francis H. Hudson 5.312500 Delmar W. Lewis 5.312500 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 10.625000 Moore & Shelton Co. Ltd. 3.750000	30.91362

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTRY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
4 Johnston B. Fed. Acct #1	NW/4 Section 11 T-10-S, R-31-E	160	LC-020586-0 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 100.0	22.49964

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMARU (BSSC) UNIT  
 EDOY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lease of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
5 Shinn B Admiral	E/2SW/4, W/2SE/4 Section 11 T-10-S, R-31-E	160	LC-029388-D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 66.66667 Francis R. Hudson 7.083334 Delmar R. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, III Trustees U.V Edward R. Hudson 14.166667 Moore & Shelton Co. Ltd. 4.999999	23.05599



EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMARCO (SSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Ref. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
6 Shugart 8	W/2SW/4 Section 11 T. 18. S., R. 31. E	80	LC-062052 12-15-39 Exchange 12-1-59	USA 12.5	Francis R. Hudson 50.0% Delmar N. Lewis 50.0%	Margaret Balish Neaters Betty Balish Strohmeyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Marathon Oil Company Francis R. Hudson Delmar N. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson Moore & Shelton Co. Ltd. 4.999999	12.52820
						2.000000 .250000 .003334 .003333 .003333 1.250000	66.666667 7.003334 7.003333 14.666667	
						1.250000		

EXHIBIT 'R', FIRST REVISION  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit	
7 within 11 and 83 & 4	W/2NE/4 Section 11 T-18-S, R-31-E	80	LC-062052 12-15-39 Exchange 12-1-59	USA 12.5	Francis M. Hudson 50.0% Delmar N. Lewis 50.0%	Margaret Balsh Masters Betty Balsh Strohmeyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis M. Hudson Delmar N. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/A Edward R. Hudson, Deceased Moore & Shelton Co., Ltd. Sally Heeder-Roberts O. E. Groves	2.000000 .250000 .003334 .003333 .003333 1.250000  1.250000 1.593750 1.593750  3.187500 1.125000 .500000 .500000	4.180750 1.250000 2.000000 1.722894 5.038750 .070000 20.000000 17.820949 2.500000 2.500000 2.625000 1.750000 34.000637 1.750000 1.875000 1.750000	4.03210



Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
Tract 11 of 65	NE 1/4 Sec 11 T-18-S, R-31-E	40	1C-062052 12-15-39 Exchange 12-1-59	USA 12.5	Francis N. Hudson 50.0% Delmar N. Lewis 50.0%	Margaret Balih Masters 2.000000 Betty Balih Strömeyer .250000 Karen Elizabeth Charles .003334 Katherine Mary Scott .003333 Nary Elizabeth Balih .003333 Margaret Jane Johnson 1.250000 San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart 1.250000 Francis N. Hudson 1.593750 Delmar N. Lewis 1.593750 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 3.187500 Moore & Shelton Co., Ltd. 1.125000 Sally Weeder-Roberts .250000 O. E. Groves .250000 Explorers Petroleum Corp. .024694 Exby, Ltd. .012500 Neyco Employees, Ltd. .012850 Spiral, Inc. .037194 Vates Energy Corp. .157855 Neyco Development Corp. .254207 James H. Vates, Inc. .000350 Coltclan Corp. .000350	James H. Vates, Inc. .035000 Coltclan Corp. .035000 Explorers Pet. Corp. 2.469375 Exby, Ltd. 1.250000 Neyco Employees Ltd. 1.285000 Spiral, Inc. 3.719375 Vates Energy Corp. 15.785484 Neyco Dev. Corp. 25.420766 ARCO Oil & Gas Co. 50.000000	1.46916

EXHIBIT 'R', FIRST REVISION  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UTILIZED FORMATION FOR THE TAMANO (855C) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
0	SE/4NE/4 Section 11	40	LC-062052	USA (sliding scale)	Francis M. Hudson 50.0% Delmar N. Lewis 50.0%	Margaret Balch Masters 2.000000 Betty Balch Stodmeyer .250000 Keren Elizabeth Charles .003334 Katherine Mary Scott .003333 Mary Elizabeth Balch .003333 Margaret Jane Johnson 1.250000 San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart 1.250000 Francis M. Hudson 1.593750 Delmar N. Lewis 1.593750 Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/A Edward R. Hudson, Deceased 3.187500 Moore & Shelton Co., Ltd. 1.125000 Sally Weeder-Roberts .250000 O. E. Groves .250000 Explorers Petroleum Corp. .024694 Eddy, Ltd. .012500 Meyco Employees, Ltd. .012850 Spiral, Inc. .037199 Vates Energy Corp. .157855 Meyco Development Corp. .254207 James H. Vates, Inc. .000350 Coltellen Corp. .000350	James H. Vates, Inc. .035000 Coltellen Corp. .035000 Explorers Pet. Corp. 2.469375 Eddy, Ltd. 1.250000 Meyco Employees Ltd. 1.205000 Spiral, Inc. 3.719375 Vates Energy Corp. 15.785404 Meyco Dev. Corp. 25.420766 ARCO Oil & Gas Co. 50.000000	1.08235