

UNIT AGREEMENT

CHAVEROO SAN ANDRES UNIT

COUNTIES OF ROOSEVELT & CHAVES

STATE OF NEW MEXICO

BEFORE ME, MEMBER OF THE BOARD OF
OIL AND GAS COMMISSIONERS
<i>El Paso</i> UNIT NO. <i>2</i>
CASE NO. <i>9357 + 9358</i>

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CHAVEROO SAN ANDRES UNIT
ROOSEVELT & CHAVES COUNTIES, NEW MEXICO

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
CHAVEROO SAN ANDRES UNIT
ROOSEVELT AND CHAVES COUNTIES, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of November, 1987, 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 representative 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 resource 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 State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, law of 1935 as amended; Chapter 70, Article 2, Section 2 et seq., New Mexico Statutes 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) "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 1,200.00 acres, more or less, in Roosevelt and Chaves Counties, New Mexico.

(b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

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

(d) "Director" is defined as the Director of the Bureau of Land Management for the State of New Mexico or any person authorized to act on the Director's behalf.

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

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

(g) "Authorized Officer (AO)" is defined as any employee of the Bureau of Land Management who has been delegated the authority to perform the duties described in this Part.

(h) "Unitized Formation" shall mean that subsurface portion of the Unit Area commonly known as the San Andres formation, and which is the same formation that was encountered between the logged depths of 4177' (subsea elevation of +313) and 4676' (subsea elevation of +420') in the Roberts Well #1 as shown on the Nuclear Log of said well dated October 25, 1978 which well is located 440' FNL and 1980' FEL of Section 3, T-8-S, R-32-E, NMPM, Chaves County, New Mexico.

(i) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons, other than outside substances, within and produced from the Unitized Formation, of the Unitized Land.

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

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

(l) "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.

(m) "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, 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.

(n) "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.

(o) "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 and produce Unitized Substances.

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

(q) "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 styled "Unit Operating Agreement, Chaveroo San Andres Unit, Roosevelt and Chaves Counties, New Mexico."

(r) "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.

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

(t) "Unit Manager" is any person or corporation appointed by 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.

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

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

(w) "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.

(x) "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.

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 shown 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. Exhibit "C" attached hereto is the provisions of paragraphs 1 through 7 of Section 202 of Executive Order 11246. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes render such revision necessary or when requested by the AO, and not less than two copies shall be filed with the AO.

SECTION 4. EXPANSION. The above described Unit Area may when practicable be expanded to include therein any additional Tract or Tracts regarded as reasonably necessary or advisable for the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a Tract or Tracts desiring to bring such Tract or Tracts into this unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest Owner in the Unit Area and in the Tract proposed to be included in the unit, setting out the basis for admission, the Tract Participation to be assigned to each Tract in the enlarged Unit Area and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if at least three Working Interest Owners having in the aggregate eighty percent (80%) Unit Participation then in effect have agreed to inclusion of such Tract or Tracts in the Unit Area, then Unit Operator shall:

(1) After obtaining preliminary concurrence by the Director, 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 AO, each Working Interest Owner and to the 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 expiration of said thirty (30) day period as set out in (2) immediately above with the AO the following: (a) evidence of mailing or delivering copies of said notice of expansion; (b) an application for approval of such expansion; (c) an instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, and Section 32, infra; and (d) a copy of all objections received along with the operator's response thereto.

The expansion shall, after due consideration of all pertinent information and approval by the AO, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of notice. The revised Tract Participation of the respective Tracts included within the Unit Area prior to such enlargement shall remain the same ratio one to another.

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(h) of this Agreement.

SECTION 6. UNIT OPERATOR. EL RAN, INC. 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 refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it. Unit Operator shall have a lien upon interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

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 AO 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 resignation or removal of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation or removal. 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 in the aggregate the majority interest of 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 AO.

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 and used by the Working Interest Owners to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected. 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 AO. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Director, at his election, may declare this Agreement terminated.

In selecting a successor Unit Operator, the affirmative vote of the majority Working Interest Owners of the total Unit Participation shall prevail. 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 majority of the Working Interest Owners of the Unit Participation remaining after excluding the Unit Participation of the Unit Operator so removed.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator and 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 AO 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 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 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. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a Plan of Operation by the Working Interest Owners, the AO, and the Division, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquified petroleum gases and any one or more other substances or combination of substances, whether produced from the Unitized Land or not, and that the location of input wells and the rates of injection therein shall be governed by standards of good geological and petroleum engineering practices and conservation methods. Subject to like approval, the Plan of Operation may be revised as conditions may warrant. The initial Plan of Operation shall be filed with the AO 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 AO, and the Division may determine to be necessary for timely operation consistent herewith. Upon approval of this Agreement and the initial plan by the AO, said plan, and all subsequently approved plans, shall constitute the operating obligations of the Unit Operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operations. 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 AO, this Agreement shall terminate automatically as of the date of default.

SECTION 12. USE OF SURFACE AND USE OF WATER. The parties have to the extent of their rights and interests, hereby granted to Unit Operator the right to use as much of the surface of the Unitized Land as may reasonably be necessary for Unit Operations; provided that nothing herein shall be construed as leasing or otherwise conveying to the Unit Operator a site for water, gas injection or other plants or camp site.

Unit Operator shall have free use of water or brine or both from the Unitized Land for Unit Operations, except water from any well, lake, pond or irrigation ditch of a surface owner, unless approval for such use is granted by the surface owner.

Unit Operator shall pay the Owner for damages to growing crops, timber, fences, improvements and structures on the Unitized Land that result from Unit Operations, and such payments shall be considered as items of Unit Expense to be borne by all Working Interest Owners of lands subject hereto.

SECTION 13. TRACT PARTICIPATION. 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 if all Tracts in the Unit Area qualify as provided herein. The Tract Participation of each Tract as shown in Exhibit "B" was determined in accordance with the following formula:

$$\begin{array}{lcl} \text{Tract Participation} & = & 20\% A + 80\% B \\ \text{Where } A & = & \text{Percent of Total Acreage in Unit} \\ B & = & \text{Percent of Total Ultimate Primary Oil} \\ & & \text{Recovery in Unit Area.} \end{array}$$

In the event less than all Tracts are qualified on the Effective Date hereof, the Tract Participation shall be calculated on the basis of all such qualified Tracts rather than all Tracts in the Unit Area.

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date hereof, the Tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances shall be those Tracts more particularly described in Exhibit "B" that corner or have a common boundary (Tracts separated only by a public road or a railroad right-of-way shall be considered to have a common boundary), and that otherwise qualify as follows:

(a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this Agreement and as to which Royalty Owners owning seventy-five percent (75%) or more of the Royalty Interest have become parties to this Agreement.

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this Agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest have become parties to this Agreement, and as to which (1) the Working Interest Owner who operates the Tract and at least seventy-five percent (75%) of all other Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract, and as to which (2) owners of seventy five percent (75%) of the combined Unit Participation in all Tracts that meet the requirements of Section 14(a) above have voted in favor of the inclusion of such tract.

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this Agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) the Working Interest Owner who operates the Tract and a total of seventy-five percent (75%) or more of the other Working Interest Owners in such Tract who have become parties to this Agreement have joined in a request for inclusion of such Tract, and have executed and delivered, or obligated themselves to execute and deliver an indemnity agreement indemnifying and agreeing to hold harmless the other owners of committed Working Interests, their successors and assigns, against all claims and demands that may be made by the owners of Working Interest in such Tract who are not parties to this Agreement, and which arise out of the inclusion of the Tract; and as to which (2) the owners of seventy-five percent (75%) of the Unit Participation in all Tracts that meet the requirements of Section 14(a) and 14(b) have voted in favor of the inclusion of such tract and to accept the indemnity agreement. Upon the inclusion of such a Tract, the Tract Participations which would have been attributed to the non-subscribing owners of Working Interest in such Tract, had they become parties to this Agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, and joined in the indemnity agreement, in proportion to their respective Working Interests in the Tract.

If, on the Effective Date of this Agreement, there is any Tract or Tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such Tract or Tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the AO, file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set forth, opposite each such committed Tract, the lease number or assignment number, the owner of record of the lease, and the percentage participation of such tract which shall be computed according to the participation formula set forth in Section 13 (Tract Participation) above. This schedule of participation shall be revised Exhibit "B" and upon approval thereof by the AO, shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the AO.

SECTION 15A. 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, camp and other production or development purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the AO) shall be apportioned among and allocated to the qualified tracts in accordance with the respective tract participations effective hereunder during the respective 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 and qualified for participation as above provided 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 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 15B. TAKING UNITIZED SUBSTANCES IN KIND. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each party shall have the right to construct, maintain and operate all necessary facilities for that purpose on Unitized Land, provided the same are so constructed, maintained and operated so as not to interfere with operations carried on pursuant hereto. 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 responsible therefor under the controlling lease or contract. In the event any Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation currently as and when produced, 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 on a day-to-day basis, 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 sixty (60) 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.

If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any Tract or Tracts within the Unit Area not committed hereto as of the Effective hereof but which are subsequently committed hereto under the provisions of Section 14 (Tracts Qualified for Participation) and Section 32 (Nonjoinder and Subsequent Joinder), or if any Tract is excluded from this Agreement as provided for in Section 31 (Loss of Title), the schedule of participation as shown in Exhibit "B," upon approval by the AO, shall govern the allocation of production on and after the effective date thereof until a revised schedule is approved as hereinabove provided.

If the Unit Area is enlarged, the revised Tract Participations of the Tracts which were within the Unit Area prior to the enlargement shall remain in the same ratio one to another.

SECTION 16. OUTSIDE SUBSTANCES. If gas obtained from formations not subject to this Agreement is introduced into the Unitized Formation for use in repressuring, stimulating of production or increasing ultimate recovery which shall be in conformity with a Plan of Operation first approved by the AO, 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 Operator or as otherwise may be consented to or prescribed by the AO 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, laws 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 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 on 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.

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 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 appropriate and adequate 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 AO, 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. 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 and 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 representatives, do 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 part or separately owned Tract subject to this Agreement, regardless of whether there is any development of any particular part or Tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling, 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 on all unitized lands pursuant to direction or consent of the Secretary, or his duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each Tract of unitized lands.

(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 22. 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 23. 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 on the first day of the calendar month next following the approval of this Agreement by the AO and the Division.

If this Agreement does not become effective on or before June 1, 1988, 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 said expiration date for a period not to exceed one (1) year (hereinafter called "extended expiration date"). If said expiration date is so extended and this Agreement does not become effective on or before said extended expiration date, it shall ipso facto expire on said 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 where a counterpart of this Agreement is recorded, a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date.

The terms 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 and 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 AO 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 Roosevelt and Chaves Counties, 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.

If not otherwise provided by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six 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 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any privately-owned lands subject to this Agreement or to the quantity and rate of production from such lands in the absence of specific written approval thereof by the Division.

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

SECTION 25. NONDISCRIMINATION. Unit Operator in connection with the performance of work under this Agreement relating to leases of the United States, agrees to comply with the clauses set forth in Exhibit "C" attached hereto and made a part hereof.

SECTION 26. 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 27. 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 respective addresses 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 28. 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 29. 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 30. 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 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 in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 31. LOSS OF TITLE. In the event title to any Tract of unitized land shall fail so as to render the Tract inoperable under this Agreement, such Tract shall be automatically regarded as not committed hereto as of the first day of the calendar month in which the failure of title is determined 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 interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited as directed by the AO, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 32. NONJOINDER AND SUBSEQUENT JOINDER. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. 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.

Any oil or gas interest in the Unitized Formations not committed hereto prior to submission of this Agreement to the AO for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Participation) hereof, at any time up to the effective date hereof on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after the Effective Date hereof the right of subsequent Joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by Working Interest Owners owning not less than sixty-five percent (65%) of the Unit Participation then in effect, and approved by the AO. Such subsequent joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement and, where Federal land is involved, such Joinder must be approved by the AO. Such Joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective as of the first day of the month following the filing with the AO of duly executed counterparts of any and all documents necessary to establish effective commitment of any Tract or interest to this Agreement, unless objection to such joinder by the AO is duly made sixty (60) days after such filing.

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.

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 unitized land in order to ascertain the amount of merchantable oil above the pipeline connection in such tanks as of 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 Interest Owner entitled thereto, the same as if the unit has 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 overproduced with respect to the allowable of the wells on that Tract and the amount of over-production has been sold or otherwise disposed of, such 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.

EXECUTED this 1st day of February, 1988.

ATTEST:

"UNIT OPERATOR"

EL RAN, INC.

By:

Robert R. Ranck

William W. Ranck

WORKING INTEREST OWNERS

ROYALTY INTEREST OWNERS

THE STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the _____
day of _____, 1988, by _____.

Notary Public, State of Texas

My Commission Expires _____

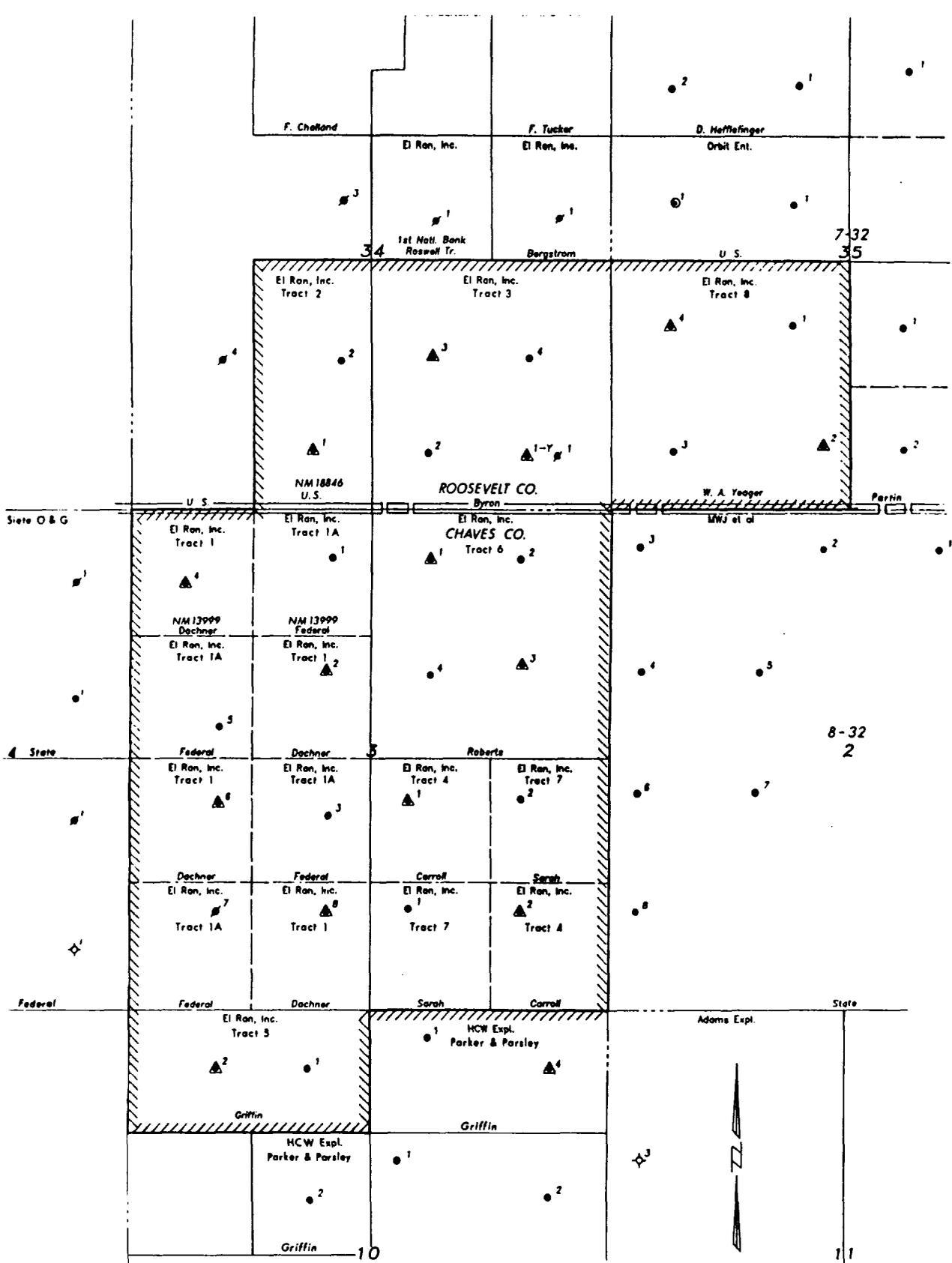
THE STATE OF _____

COUNTY OF _____

This instrument was acknowledged before me on the _____
day of _____, 1988, by _____,
_____, of _____, a
_____ corporation, on behalf of said corporation.

Notary Public, State of Texas

My Commission Expires _____

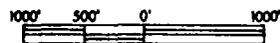


EL RAN, INC.
 CHAVEROO SAN ANDRES UNIT
 CHAVES & ROOSEVELT COUNTY, NEW MEXICO

— SURVEY AREA MAP —

EXHIBIT "A"

JANUARY 29, 1988



WILSON SURVEYING Co., INC.

EXHIBIT 'B': EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
1	Dachner Lease 160.06 acres SE/4 & Lot 4 of NW/4 and SE/4 & NW/4 of SW/4 of Section 3, Township 8 South Range 32 East, NMPH Survey, Chaves County, New Mexico	NM-13999 Held by production	Campbell H. Elkins - 50% W. W. Ranck - 50%	U.S.A. 0.12500000	Mildred F. Dachner/ORRI Susan Dawson/ORRI Robert R. Ranck/ORRI	0.00250000 0.04750000 0.01000000 0.06000000	Arthur Randy Barbara Edwards C. H. Elkins Estate Clyde Elkins Craig Mc Donald Dr. W. H. Gordon, Sr. I. W. Briscoe James G. Morris James M. Evans Joe A. Rudderberg Joe W. Gray Joe J. Reynolds L. D. Prater Robert Ranck Robert W. Rose	0.03125000 0.01562500 0.37500000 0.09375000 0.03125000 0.03125000 0.03125000 0.18750000 0.03125000 0.03125000 0.01562500 0.03125000 0.03125000 0.03125000 0.03125000 0.03125000
								1.00000000

EXHIBIT 'B': EL RAN, INC. CHAVEPOO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
1a	Federal Lease 160.02 acres SW/4 & Lot 3 of NW/4 and SW/4 & NE/4 of SW/4 of Section 3, Township 8 South, Range 32 East, NMPK Survey, Chaves County, New Mexico	NM-13999 Held by Production	Campbell H. Elkins - 50% W. W. Ranck - 50%	U.S.A. 0.12500000	Wilfred F. Dacner/ORRI Susan Dawson/ORRI Robert R. Ranck/ORRI W. W. Ranck, Jr./ORRI Ranck Trust/ORRI	0.00250000 0.04750000 0.02500000 0.01000000 0.01000000 ----- 0.09500000	C. C. Ranck Trust Dick R. Wegener Giles M. Forbess Nelle Jane Bayless R. C. Ranck Trust Robert Ranck Ruthann Baumgardner Trust Ruth S. Terrell Ruth Samuel Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.01269531 0.01523437 0.23437500 0.03046875 0.01269531 0.06250000 0.02539063 0.03125000 0.20312500 0.01523437 0.25976563 0.05664063 0.04062500 ----- 1.00000000

EXHIBIT B: EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
2	U. S. Lease 80 + or - Acres E/2 of Section 34, Township 7 South, Range 32 East, NMPN Survey, Roosevelt County, New Mexico	NM-18546 Held by Production	Celsius Energy Co. - 100%	U.S.A. 0.12500000	Celsius Energy Co./ORRI Mitchell Energy Corp./ORRI Howell Spear/ORRI	0.09500000 0.02000000 0.01000000	Benton Oil C. C. Ranck Trust C. H. Elkins Estate Clyde Elkins Dick R. Wegener Gordon Rose James G. Morris Jerome Sharpe Nelle Jane Bayless R. C. Ranck Trust Robert Ranck Ruthann Baumgardner Trust Ruth Samuel Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.06250000 0.01074218 0.25000000 0.06250000 0.01289063 0.03125000 0.12500000 0.03125000 0.02578124 0.01074218 0.01562500 0.02148438 0.06250000 0.01289063 0.20898438 0.02148438 0.03437500
Total Federal Acreage - 406.06 Acres or 36K								1.00000000

EXHIBIT 'B': EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
3	Byron lease 160 + or - acres SE/4 of Section 34, Township 7 South, Range 32 East, NMPK Survey, Roosevelt County, New Mexico	August 3, 1977 August 29, 1977	Westland Energy Corp. Campbell H. Elkins		Roy G. Barton, Jr./RI Roy G. Barton, Jr./ORRI Norma J. Barton Rebecca J. Benson Robert P. Byron/RI Robert P. Byron/ORRI Norma J. Chanley/RI Michael S. Citly OCM Oil & Gas Co. Horseshoe Oil & Gas E. L. Latham, Jr. James D. McLean/ORRI William G. Mc Pearson Fred G. Middleton Elba Mikosz/ORRI Robert R. Ranck/ORRI Durwood A. Terrill	0.01993333 0.00187500 0.01275000 0.01888890 0.02125005 0.00375000 0.00708332 0.00187500 0.00141670 0.00944445 0.00944445 0.01133330 0.02000000 0.01133330 0.01888890 0.01000000 0.01000000 0.02083330	C. C. Ranck Trust C. H. Elkins Estate Clyde Elkins Dick P. Wegener James G. Morris KLR Assoc. Nelle Jane Bayless R. C. Ranck Trust Ruthann R. Baumgardner Tr. Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.00390625 0.46875000 0.14548000 0.00468750 0.23438000 0.08789000 0.00937500 0.00390625 0.00781250 0.00468750 0.00781250 0.00781250 0.01250000 1.00000000
						0.21000000		

EXHIBIT 'B': EL SAN, INC. CHAVEPOO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
4	Carroll Lease 80 + or - acres NW/4 & SE/4 of the SE/4 of Section 3, Township 6 South, Range 32 East, NMPM Survey, Chaves County, New Mexico	July 14, 1978 December 6, 1978 January 4, 1979	W. W. Ranch, et al Westland Energy Corp. Campbell H. Elkins		Roy G. Barton, Jr. Norma J. Barton Rebecca J. Benson Robert P. Byron H. D. Carroll & Norma J. Chanley Michael S. Citty Horseshoe Oil & Gas E. L. Latham, Jr. William G. McPhearson Fred G. Mickleton Durwood A. Terrilli	0.02041668 0.01312500 0.01944440 0.02187505 0.01562500 0.00729168 0.00145630 0.01944440 0.01166670 0.01166670 0.01944440 0.01822920	C. H. Elkins Estate Clyde Elkins Gordon Rose James G. Morris Robert Ranck	0.50000000 0.12500000 0.09375000 0.25000000 0.03125000 1.00000000
						0.17968751		

EXHIBIT "B": EL PAN, INC. CHAVEPOO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
5	Griffin lease 80 + or - acres N/2 of NW/4 of Section 10, Township 8 South, Range 32 East, NMPN Survey, Chaves County, New Mexico	February 9, 1976	Wilderspin & House, Inc.		Champion Petroleum/ORRI Mary Virginia Griffin Alfred W. Mitchell Kathryn Mitchell Robert L. Mitchell	0.07500000 0.08750000 0.02187500 0.04375000 0.02187500	Arthur Rampy C. C. Ranck Trust Clyde Ekins Dick R. Wegener Giles M. Forbess Gordon Rose James G. Morris Jerome Sharpe Keeney Royalty Trust Nelle Jane Bayless R. C. Ranck Trust Robert Ranck Ruthann Baumgardner Trust Ruth S. Terrell Ruth Samuel Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.03125000 0.00781250 0.06250000 0.00937500 0.03125000 0.03125000 0.12500000 0.06250000 0.03125000 0.01875000 0.00781250 0.06250000 0.01562500 0.12500000 0.18750000 0.00937500 0.14062500 0.01562500 0.02500000
								1.00000000

EXHIBIT 'B': EL PAN, INC. CHAVEPOO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
6	Roberts Lease 159.92 acres Lots 1, 2, S/2 NE/4 of Section 3, Township 8 South, Range 32 East, NMPM Survey, Chaves County, New Mexico	July 5, 1974 August 16, 1978	Macedonald Oil Corp. W. W. Ranck		Adobe Resources Corp./ORRI J. E. Boothe Tamme B. Boothe C. H. Elkins Estate Hemus, Inc. Charles Horton Paul & Willine Jones James D. Mclean/ORRI Elba Mikosz/ORRI Betty T. Ranck Robert R. Ranck/ORRI Robert R. Ranck/ORRI Republic National Bank Ramona Curry Roberts Patricia Marie Sanchez Cherie Summers Maitcot Theodore Summers	0.02466140 0.00520830 0.00520830 0.00325520 0.00520830 0.00520830 0.02083330 0.01906260 0.00953120 0.00225520 0.02500000 0.0051040 0.07291670 0.00781250 0.00260420 0.00260420 0.00260420	C. C. Ranck Trust Dick R. Wegener Giles M. Forbess Nelle Jane Bayless R. C. Ranck Trust Robert Ranck Ruthann Baumgardner Trust Ruth S. Terrell Ruth Samuel Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.01464843 0.01757813 0.25000000 0.03515624 0.01464843 0.03125000 0.02929688 0.02500000 0.22500000 0.01757813 0.26367188 0.02929688 0.04687500
						0.22148430		1.00000000

EXHIBIT "B": EL RAN, INC. CHAYEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & ORRI Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
7	Saran Lease 80 + or - acres NE/4 & SW/4 of SE/4 of Section 3, Township 8 South, Range 32 East, NMPH Survey, Chaves County, New Mexico	November 21, 1978 December 6, 1978 January 4, 1979	W. W. Ranck & Campbell H. Elkins Westland Energy Corp. W. W. Ranck & Campbell H. Elkins		Roy G. Barton, Jr. Norma J. Barton Rebecca J. Benson Robert P. Byron H. D. Carroll & ... Norma J. Chanley Michael S. Citty Horseshoe Oil & Gas E. L. Latham, Jr. William G. McPheerson Fred G. Middleton Robert R. Ranck/ORRI W. W. Ranck, Jr./ORRI Ranck Trust/ORRI Durwood A. Terrell	0.02041668 0.01312500 0.01944440 0.02187495 0.01562500 0.00729168 0.00145830 0.01944440 0.01166660 0.01166670 0.01944440 0.01000000 0.01000000 0.01000000 0.01822920	C. C. Ranck Trust Dick Pollard Dick R. Wegener Giles M. Forbess Nelle Jane Bayless R. C. Ranck Trust Robert Ranck Ruthann R. Baumgardner Tr. Ruth Samuel Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.01269530 0.03125000 0.01523438 0.12500000 0.03646875 0.01269530 0.12500000 0.02539063 0.12500000 0.01523438 0.33789063 0.10351563 0.04062500 1.00000000
						0.20968731		

EXHIBIT "B": EL RAN, INC. CHAVEGO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

Tract	Lease Name, Description of Land, Number of Acres and County	Serial Number & Expiration date	Lessee of Record	Basic Royalty & Percentage	Royalty Owners and Overriding Royalty Owners	Royalty Interest & OPR Interest Percentage of Ownership	Working Interest Ownership	Working Interest Percentage of Ownership
8	Yeager lease 160 + or - acres SW/4 of Section 35, Township 7 South, Range 32 East, NMPM Survey, Roosevelt County, New Mexico	December 4, 1970	Arno R. Dalby		Clem E. George/ORRI John W. Lodewick Laura B. Lodewick Laura Patricia Lodewick Richard B. Lodewick W. W. Ranck/ORRI W. A. & Patsy Yeager	0.02687500 0.01041660 0.03125000 0.01041670 0.01041670 0.02687500 0.09375000 ----- 0.21000000	C. C. Ranck Trust C. H. Elkins Estate Dalby Estate Dick R. Wegener Jewel Dalby Benton Trust Nelle Jane Bayless R. C. Ranck Trust Robert Ranck Ruthann R. Baumgardner Tr. Ruth Samuel Susan Wolf W. W. Ranck W. W. Ranck, Jr. Wegener Enterprises	0.01195477 0.48437500 0.32434880 0.00234374 0.01600262 0.00468750 0.01195477 0.02006327 0.00390625 0.04000655 0.00234375 0.05991542 0.01190756 0.00625000 ----- 1.00000000

Total Patented Acreage - 719.92 Acres or 64%

Federal Acreage - 400.08 Acres or 36%
 Patented Acreage - 719.92 Acres or 64%

Total Unit Acreage - 1,120 Acres

EXHIBIT "B" UNIT AGREEMENT: EL RAM, INC. CHAYEROO SAN ANDRES UNIT
 LOCATED IN CHAYES & ROOSEVELT COUNTY, NEW MEXICO

	TRACT 1 DACHNER LEASE	TRACT 1 NET REVENUE INTERESTS	TRACT 1a FEDERAL LEASE	TRACT 1a NET REVENUE INTERESTS	TRACT 2 U. S. LEASE	TRACT 2 NET REVENUE INTERESTS	TRACT 3 BYRON LEASE	TRACT 3 NET REVENUE INTERESTS	TRACT 4 CARROLL LEASE	TRACT 4 NET REVENUE INTERESTS
EL RAM, INC. CHAYEROO SAN ANDRES UNIT PARTICIPATION FACTORS										

RI & ORRI INTEREST OWNERS:										

ADOBE RESOURCES CORP. ROY G. BARTON, JR./RI ROY G. BARTON, JR./ORRI NORMA J. BARTON/RI REBECCA J. BENSON J. E. BOOTHE TAMMIE B. BOOTHE ROBERT P. BYRON/RI ROBERT P. BYRON/ORRI H. D. CARROLL AND ... CELSIUS ENERGY CO./ORRI CHAMPLIN PETROLEUM NORMA J. CHANLEY/RI NORMA J. CHANLEY/ORRI MICHAEL S. CITTY MILDRED F. DACHNER/ORRI SUSAN DAWSON/ORRI DCM OIL & GAS CO. ESTATE/C. H. ELKINS CLEM E. GEORGE/ORRI MARY VIRGINIA GRIFFIN HEMUS, INC. HORSESHOE OIL & GAS CHARLES HORTON PAUL & WILLINE JONES E. L. LATHAM, JR. JOHN W. LODIEWICK	0.00250000 0.04750000	0.00026061 0.00495156	0.00250000 0.04750000	0.00034954 0.00664127	0.09500000	0.00338660	0.01983333 0.00187500 0.01275000 0.01888890	0.00511059 0.00048315 0.00328538 0.00486723	0.02041868 0.01312500 0.01944440	0.00137062 0.00088111 0.00130535
							0.00708332 0.00187500 0.00141870	0.00182521 0.00048315 0.00036505	0.00729168 0.00145830	0.00048950 0.00009790
	0.00944445	0.00243362	0.00944445	0.00243362			0.00944445	0.00243362	0.01944440	0.00130535
	0.01133330	0.00292032					0.01133330	0.00292032	0.01166670	0.00078321

EXHIBIT 'B' / UNIT AGREEMENT: EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

	TRACT 1	TRACT 1	TRACT 1a	TRACT 1a	TRACT 2	TRACT 2	TRACT 2	TRACT 3	TRACT 3	TRACT 3	TRACT 4	TRACT 4
	DACHNER LEASE	NET REVENUE INTERESTS	FEDERAL LEASE	NET REVENUE INTERESTS	U. S. LEASE	NET REVENUE INTERESTS	NET REVENUE INTERESTS	BYRON LEASE	NET REVENUE INTERESTS	NET REVENUE INTERESTS	CARROLL LEASE	NET REVENUE INTERESTS
EL RAN, INC.												
CHAVEROO SAN ANDRES UNIT												
PARTICIPATION FACTORS												

LAURA B. LODEWICK												
LARVA PATRICIA LODEWICK												
RICHARD B. LODEWICK												
JAMES D. MC LEAN/ORRI								0.02000000	0.00515354			
WILLIAM G. MC PHERON								0.01133330	0.00292033			0.01166670
FRED G. MIDDLETON								0.01888890	0.00486723			0.01944440
ELBA MIKOSZ								0.01000000	0.00257677			0.00130535
MITCHELL ENERGY CORP./ORRI					0.02000000	0.00071284						
ALFRED W. MITCHELL												
KATHRYN MITCHELL												
ROBERT L. MITCHELL												
BETTY T. RANCK												
ROBERT R. RANCK/ORRI	0.01000000	0.00104243	0.02500000	0.00349541				0.01000000	0.00257677			
ROBERT R. RANCK/RI												
W. W. RANCK/ORRI			0.01000000	0.00139816								
W. W. RANCK, JR.			0.01000000	0.00139816								
RANCK TRUST												
REPUBLIC NAT'L BANK												
RAMONA CURRY ROBERTS												
PATRICIA MARIE SANCHEZ												
HOWELL SPEAR/ORRI					0.01000000	0.00035642						
DURWOOD A. TERRILL								0.02083330	0.00536826			
UNITED STATES/MINERALS MGMT.	0.12500000	0.01303043	0.12500000	0.01747702	0.12500000	0.00445526					0.01822920	0.00122376
CHERIE SUMMERS WALCOT												
THEODORE SUMMERS												
W. A. & PATSY YEAGER												

TOTAL RI & ORRI OWNERS	0.18500000	0.01928503	0.22000000	0.03075956	0.25000000	0.00891052		0.21000000	0.05411216		0.17968751	0.01206282

EXHIBIT 'B' UNIT AGREEMENT: EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

EL RAN, INC. CHAVEROO SAN ANDRES UNIT PARTICIPATION FACTORS	TRACT 5 GRIFFIN LEASE	TRACT 5 NET REVENUE INTERESTS	TRACT 6 ROBERTS LEASE	TRACT 6 NET REVENUE INTERESTS	TRACT 7 SARAH LEASE	TRACT 7 NET REVENUE INTERESTS	TRACT 8 YEAGER LEASE	TRACT 8 NET REVENUE INTERESTS	TOTAL WATERFLOW PARTICIPATION FOR ALL INTERESTS
RI & ORRI INTEREST OWNERS:									
ADDBE RESOURCES CORP.			0.02466140	0.00467452	0.02041668	0.00105799			0.00467452
ROY G. BARTON, JR./RI									0.00733920
ROY G. BARTON, JR./ORRI					0.01312500	0.00068013			0.00048315
NORMA J. BARTON/RI					0.01944440	0.00100760			0.00484662
REBECCA J. BENSON									0.00718018
J. E. BOOTHE			0.00520830	0.00098722					0.00098722
TAMMIE B. BOOTHE			0.00520830	0.00098722					0.00098722
ROBERT P. BYRON/RI					0.02187495	0.00113355			0.00807772
ROBERT P. BYRON/ORRI									0.00096629
H. D. CARROLL AND ...					0.01562500	0.00080968			0.00185862
CELSIUS ENERGY CO./ORRI									0.00338600
CHAMPLIN PETROLEUM	0.07500000	0.00351547							0.00351547
NORMA J. CHANLEY/RI					0.00729168	0.00037785			0.00269256
NORMA J. CHANLEY/ORRI									0.00048315
MICHAEL S. CITY					0.00145830	0.00007557			0.00053852
MILDRED F. DACHNER/ORRI									0.00061015
SUSAN DANSON/ORRI									0.01159283
DCM OIL & GAS CO.									0.00243362
ESTATE/C. H. ELKINS			0.00325520	0.00061702					0.00061702
CLEM E. GEORGE/ORRI							0.02687500	0.00288230	0.00288230
MARY VIRGINIA GRIFFIN	0.08150000	0.00410138							0.00410138
HEMUS, INC.									0.00098722
HORSESHOE OIL & GAS			0.00520830	0.00098722	0.01944440	0.00100760			0.00474657
CHARLES HORTON			0.00520830	0.00098722					0.00098722
PAUL & WILLINE JONES			0.02083330	0.00394891					0.00394891
E. L. LATHAM, JR.					0.01166660	0.00060456			0.00430809
JOHN W. LODIEWICK							0.01041660	0.00117717	0.00117717

EXHIBIT "B" UNIT AGREEMENT: EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

	TRACT 5 GRIFFIN LEASE	TRACT 5 NET REVENUE INTERESTS	TRACT 6 ROBERTS LEASE	TRACT 6 NET REVENUE INTERESTS	TRACT 7 SARAH LEASE	TRACT 7 NET REVENUE INTERESTS	TRACT 8 YEAGER LEASE	TRACT 8 NET REVENUE INTERESTS	TOTAL WATERFLOOD PARTICIPATION FOR ALL INTERESTS
EL RAN, INC. CHAVEROO SAN ANDRES UNIT PARTICIPATION FACTORS									
LAURA B. LODENICK LARUA PATRICIA LODENICK RICHARD B. LODENICK JAMES D. MC LEAN/ORRI WILLIAM G. MC PHERON FRED G. MIDDLETON ELBA WIKOSZ MITCHELL ENERGY CORP./ORRI									
ALFRED W. MITCHELL KATHRYN MITCHELL ROBERT L. MITCHELL BETTY T. RANCK ROBERT R. RANCK/ORRI ROBERT R. RANCK/RI W. W. RANCK/ORRI W. W. RANCK, JR. RANCK TRUST REPUBLIC NAT'L BANK RAMONA CURRY ROBERTS PATRICIA MARIE SANCHEZ HOWELL SPEAR/ORRI DURWOOD A. TERRILL UNITED STATES/MINERALS MGMT. CHERIE SUMMERS VALCOT THEODORE SUMMERS W. A. & PATSY YEAGER	0.02187500 0.04375000 0.02187500	0.00102535 0.00205069 0.00102535	0.00325520 0.02500000 0.00651040	0.00061702 0.00473870 0.00123403	0.01166670 0.01944440	0.00060456 0.00100760	0.03125000 0.01041670 0.01041670	0.00335152 0.00111718 0.00111718	0.00335152 0.00111718 0.00111718 0.00430810 0.00718018 0.00438339 0.00071284 0.00102535 0.00205069 0.00102535 0.00061702 0.01237151 0.00123403 0.00288230 0.00191636 0.00191636 0.01382122 0.00146085 0.00049362 0.00035642 0.00753665 0.03496271 0.00049362 0.00049362 0.01005455
TOTAL RI & ORRI OWNERS	0.25000000	0.01171824	0.22148430	0.04198191	0.20988731	0.01086592	0.21000000	0.02252220	0.21221836

EXHIBIT "B" / UNIT AGREEMENT: EL RAN, INC. CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

TRACT:	LEASE:	9-1-87		9-1-87		9-1-87		9-1-87		9-1-87		9-1-87		TOTAL PARTICIPATION FACTOR PER LEASE
		CUMULATIVE PERCENTAGE PER LEASE	REMAINING PRIMARY	PERCENTAGE PER LEASE	REMAINING PRIMARY									
1	Dachner	92,565	0.09356123	0.00000000	92,565	0.09458998	160	0.14285715						
1a	Federal	136,079	0.14048373	0.00000000	136,079	0.13905591	160	0.14285714						
2	U.S.	26,124	0.02696961	0.00000000	26,124	0.02669550	80	0.07142857						
3	Byron	278,351	0.28736091	1,900	0.19103157	280,251	0.28638186	160	0.14285715					
4	Carroll	64,644	0.06673645	0.00000000	64,644	0.06605817	80	0.07142857						
5	Griffin	31,816	0.03284585	8,046	0.80896843	39,862	0.04073404	80	0.07142857					
6	Roberts	196,913	0.20328686	0.00000000	196,913	0.20122073	160	0.14285714						
7	Sarah	45,913	0.04739915	0.00000000	45,913	0.04691741	80	0.07142857						
8	Yeager	96,241	0.09935621	0.00000000	96,241	0.09834640	160	0.14285714						
TOTALS		968,646	1.00000000	9,946	1.00000000	978,592	1.00000000	1,120	1.00000000					
ALLOCATED PERCENTAGES PER FACTOR:							0.80000000		0.20000000					

EXHIBIT "B" / UNIT AGREEMENT: EL RAN, INC., CHAVEROO SAN ANDRES UNIT
 LOCATED IN CHAVES & ROOSEVELT COUNTY, NEW MEXICO

PROPOSED CHAVEROO FIELD WATERFLOOD PARTICIPATION FACTORS FEBRUARY 1, 1988	9-1-87 CUMULATIVE PER LEASE	9-1-87 REMAINING PRIMARY PER LEASE	REMAINING PRIMARY PERCENTAGE PER LEASE	ULTIMATE PRIMARY PERCENTAGE PER LEASE	ULTIMATE PRIMARY PERCENTAGE PER LEASE	AREA PERCENTAGE PER LEASE	TOTAL PARTICIPATION FACTOR PER LEASE
1 Dachner	0.00000000	0.00000000	0.00000000	0.07567198	0.02857143	0.10424341	
1a Federal	0.00000000	0.00000000	0.00000000	0.11124473	0.02857143	0.13981616	
2 U.S.	0.00000000	0.00000000	0.00000000	0.02135640	0.01428571	0.03564211	
3 Byron	0.00000000	0.00000000	0.00000000	0.22910549	0.02857143	0.25767692	
4 Carroll	0.00000000	0.00000000	0.00000000	0.05284654	0.01428571	0.06713225	
5 Griffin	0.00000000	0.00000000	0.00000000	0.03258723	0.01428572	0.04687295	
6 Roberts	0.00000000	0.00000000	0.00000000	0.16097658	0.02857143	0.18954801	
7 Sarah	0.00000000	0.00000000	0.00000000	0.03753393	0.01428571	0.05181964	
8 Yeager	0.00000000	0.00000000	0.00000000	0.07867712	0.02857143	0.10724855	
TOTALS	0.00000000	0.00000000	0.00000000	0.80000000	0.20000000	1.00000000	

EXHIBIT C

UNIT AGREEMENT

CHAVEROO SAN ANDRES UNIT
Chaveroo Field
Roosevelt & Chaves Counties, New Mexico

Unit Operator shall comply where applicable with the following clauses contained in 41 CFR:

- 60-1.4(a) (Equal Employment Opportunity);
- 1-12.803-10 (certification of non-segregated facilities);
- 60-250 (employment opportunity for veterans);
- 60-741 (employment opportunities for handicapped individuals);
- 1-1.710 (subcontracting with small business concerns);
- 1-1.805 (subcontracting with labor surplus area concerns);
- 1-1.1310 (subcontracting with minority business enterprises); and
- 1-1.2302-2 (environmental protection).

These clauses are incorporated herein by reference if and to the extent applicable to this contract by law, executive order, or regulation. Unit operator represents that it is in compliance with the reporting requirements of 41 CFR 60-1.7 and the Affirmative Action Program requirements of 41 CFR 60-1.40 and 60-2.