

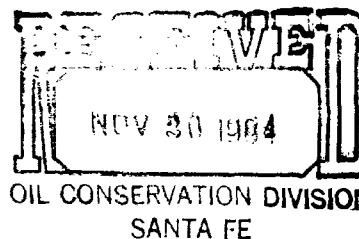
RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 2423

ROSWELL, NEW MEXICO 88201



November 16, 1984

OFFICE 505 622-8801
HOME 505 622-7985

In re: Harper Oil Company's
Snake Eyes Unit, and
McClellan Oil Corporation's
Flying "H" Unit
Chaves County, New Mexico

Oil Conservation Division
Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Pursuant to telephone conversation with Florine, I am enclosing three copies of Application for hearing on the Harper Oil Company's Snake Eyes Unit and three copies of Application for hearing on McClellan Oil Corporation's Flying "H" Unit, Chaves County, New Mexico.

These two Units are separated by only four miles and are considered as a joint project by Harper and McClellan.

We would very much appreciate you placing both Units on the December 19, 1984, docket.

A large portion of the acreage in both Units will expire January 31, 1985. Consequently, we do need the December 19th hearing.

Thank you.

Yours truly,

A handwritten signature in cursive script, appearing to read "R.M. Richardson".

R.M. Richardson

RMR:sy
enc.

cc: McClellan Oil Corporation
Harper Oil Company

#7793
8427

State of New Mexico



JIM BACA
COMMISSIONER

Commissioner of Public Lands

January 23, 1985

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148
Express Mail Delivery User
210 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Randolph M. Richardson
P. O. Box 2423
Roswell, New Mexico 88201

Re: Flying "H" Unit Agreement
Chaves County, New Mexico

Dear Mr. Richardson,

The Commissioner of Public Lands has this date approved the Flying "H" Unit Agreement which you have submitted on behalf of McClellan Oil Corporation as Unit Operator. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Our approval is given with the understanding that Tract Nos. 10, 11, 16, 21, 22, 23 and 24 are not fully committed at this time.

Enclosed are Five (5) Certificates of Approval.

Your filing fee in the amount of Ninety (\$90.00) Dollars has been received.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827-5744

JB/RDG/pm
encls.
cc:

OCD-Santa Fe, New Mexico
BLM-Albuquerque, New Mexico Attn: Fluids Branch
BLM-Roswell, New Mexico Attn: Mr. Armando Lopez

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 2423

ROSWELL, NEW MEXICO 88201

8427

February 11, 1985

OFFICE 505 622-8801
HOME 505 622-7985

In re: McClellan Oil Corporation
Flying "H" Unit
Chaves County, New Mexico

Mr. Ray Graham
New Mexico State Land Office
P.O. Box 1148
Santa Fe, New Mexico 87501



Oil Conservation Division
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Pursuant to Land Office request and in accordance with Oil Conservation Division Order No. R-7793, Case No. 8427, I am enclosing to each of you copy of signed and approved Unit Agreement for the captioned Flying "H" Unit Area.

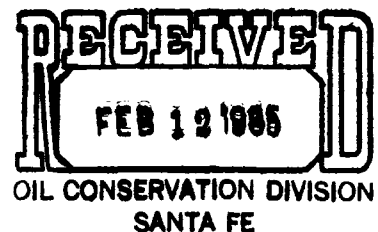
Please advise if you need any additional information or if all is not in order.

Very truly yours,

R.M. Richardson

RMR:sy
enc.

cc: McClellan Oil Corporation
Harper Oil Company





STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

January 24, 1985

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. Randolph Richardson
Attorney at Law
Post Office Box 319
Roswell, New Mexico 88201

Re: CASE NO. 8427
ORDER NO. R-7793

Applicant:

McClellan Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sincerely,
B. L. Lamb

R. L. STAMETS
Director

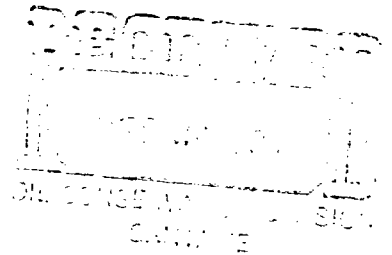
RLS / fd

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	

Other _____

RANDOLPH M. RICHARDSON
OIL AND GAS LAND AND UNIT CONSULTANT
FEDERAL - STATE - FEE
P. O. BOX 2423
ROSWELL, NEW MEXICO 88201



December 20, 1984

OFFICE 505 622-8801
HOME 505 622-7985

In re: Harper Oil Company
Snake Eyes Unit
McClellan Oil Corporation
Flying "H" Unit
Chaves County, New Mexico

Mr. Gilbert P. Quintana
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Quintana:

Pursuant to request which was voiced at the OCD Hearing for Cases No. 8426 and 8427, I am enclosing copy of letter received from the Commissioner of Public Lands, covering the Snake Eyes Unit and the Flying "H" Unit.

Please note that the Commissioner's letter shows Harper Oil Company as being Operator of the Flying "H" Unit. This, as you know, is in error and Harper will operate the Snake Eyes Unit with McClellan Oil Corporation operating the Flying "H" Unit. These letters should be in your file, as I note that the Commissioner did forward a copy directly to you.

The official letters from the BLM designating the Unit areas have been written and pursuant to telephone conversation with the BLM this morning, will be mailed this afternoon. I will, in turn, forward copy to you.

Yours truly,

R.M. Richardson

RMR:sy
enc.

cc: Harper Oil Company
McClellan Oil Corporation



IN REPLY REFER TO

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Box 1397, Roswell, New Mexico - 88201

Flying "H" Unit
3180 (065)

#8427

Randolph M. Richardson
P. O. Box 2423
Roswell, New Mexico 88201

NOV 20 1985

Gentlemen:

The Flying "H" Unit agreement, Chaves County, New Mexico, McClellan Oil Corporation, Unit Operator, was approved January 30, 1985, and is effective as of the date of approval.

The drilling and subsequent completion of the Flying "H" Unit Tract 3-1 well in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 24, T. 15 S., R. 19 E., on April 17, 1985, satisfies the obligation of the drilling of the initial well pursuant to Section 9 of the unit agreement. However, Section 9 also requires that "until the discovery of unitized substances, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the commencement of drilling operations for the next well, until a well capable of producing unitized substances in paying quantities is completed...".

Therefore, in the absence of the commencement of drilling operations for the next well within the allotted 6 month period, the Flying "H" Unit agreement is considered to have terminated effective October 18, 1985.

Sincerely,

Orig. Sgd. Francis R. Cherry, Jr.

Francis R. Cherry, Jr.
District Manager

cc:

Commissioner of Public Lands, Santa Fe
NMOCD, Santa Fe

State of New Mexico



JIM BACA
COMMISSIONER



Commissioner of Public Lands

October 15, 1985

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148
Express Mail Delivery Used
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Randolph M. Richardson
P. O. Box 2423
Roswell, New Mexico 88201

Re: Termination of Flying "H" Unit
McClellan Oil Corporation
T-15S-, R19-E, NMPM. etc.
Chaves County, New Mexico

Dear Mr. Richardson:

This office is in receipt of your letter dated October 11, 1985, together with documents entitled "Termination of Unit Agreement for the Development and Operation of the Flying "H" Unit Area, Chaves County, New Mexico. As per Article 20 of the Unit Agreement, these documents have been executed by McClellan Oil Corporation, Harper Oil Company, Western Oil Corporation and the Toles-Com-Ltd., a Limited Partnership.

In view of the above, please be advised that the Commissioner of Public Lands has this date approved the termination of the Flying "H" Unit Agreement, Chaves County, New Mexico. Our approval is subject to like approval by the Bureau of Land Management.

Enclosed is an approved copy of our termination of this unit for your files.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division
AC 505/827-5744

JB/RDG/pm
encls.
cc:

©CD-Santa Fe, New Mexico
BLM-Albuquerque, New Mexico Attn: Fluids Branch
BLM-Roswell, New Mexico Attn: Mr. Armando Lopez

0CP

Unit Name Flying "H" Unit
Operator McClellan Oil Company
County Chaves

DATE	OCC CASE NO.	EFFECTIVE DATE	TOTAL ACERAGE	STATE	FEDERAL	SEVERAL-FEE	SECREGATION CLAUSE	TERM
APPROVED	8427							
	OCC ORDER NO. E-7793							

OCD 1/23/85
BIM: January 30, 1985
COMMISSIONER: 1/23/85
January 30, 1985 18,301.69 3,291.01 13,810.68 1,200.00 Modified 5 yrs & so long as

UNIT AREA

TOWNSHIP 14 SOUTH, RANGE 19 EAST, NMPM

Sections 21 through 23: All
Sections 26 through 28: All
Sections 33 through 35: All

TOWNSHIP 15 SOUTH, RANGE 19 East, N.M.P.M.

Sections 1 through 3: All
Sections 10 through 15: All
Sections 22 through 27: All

TOWNSHIP 15 SOUTH, RNAGE 20 EAST, NMPM

Section 17: W/2
Sections 18 and 19: All
Section 20: W/2
Section 29: W/2
Section 30: All

TERMINATED

EFFECTIVE DATE 10-18-85
APP: 10-15-85

2ND Well WAS NOT TIMELY COMMENCED

Unit Name Flying "H" UNIT
Operator McClellan Oil Company
County Chaves

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	DATE	RATIFIED ACRES	ACREAGE		LESSEE
									NOT	RATIFIED	
12	LG-2845-2	C. S.	19	15S	20E	Lot 1, NE $\frac{1}{2}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	1/21/85	441.41			Harper Oil Company
13	LG-2846-2	C. S.	20	15S	20E	S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$					
		Port Norm	19	15S	20E	NE $\frac{1}{2}$ NE $\frac{1}{4}$					
14	LG-2851	Port Norm	20	15S	20E	N $\frac{1}{2}$ NW $\frac{1}{4}$	1/21/85	120.00			Harper Oil Company
15	LG-2853	C. S.	27	14S	19E	Tracts 50 & 52	1/18/85	640.00			M. Ralph Lowe, Inc.
16	LG-4749	C. S.	35	14S	19E	Lot 4, NE $\frac{1}{2}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$	1/18/85	160.86			M. Ralph Lowe, Inc.
17	LG-9272	Ag. Col.	30	15S	20E	Lots 2, 3, 4, SE $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$			324.69		Gulf Oil Corp.
18	LH-2529	C. S.	13	15S	19E	SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	1/18/85	160.00			McClellan Oil Corp.
19	LH-3002	C. S.	2	15S	19E	Lots, 1, 2, 3, 4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ (All)	1/18/85	641.16			ANR Production Co.
		Ag. Col.	22	15S	19E	SE $\frac{1}{4}$					
		Ag. Col.	23	15S	19E	S $\frac{1}{2}$ S $\frac{1}{2}$					
		Ag. Col.	24	15S	19E	S $\frac{1}{2}$ SE $\frac{1}{4}$					
		Ag. Col.	25	15S	19E	N $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	1/21/85	640.00			Harper Oil Company
20	LH-3003	Port Norm	18	15S	20E	Lot 2, SE $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{2}$ NE $\frac{1}{4}$	1/21/85	121.48			Harper Oil Company
21	UNLEASED	C. S.	18	15S	20E	Lot 4			40.00		-OPEN ACREAGE-

TERMINATED
EFFECTIVE DATE 10/18/85
APP: 10-15-85

BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERALS DEPARTMENT
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
THE FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

Case 8427

New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

Comes the undersigned McClellan Oil Corporation, with offices at Roswell, New Mexico, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Flying "H" Unit Area, Chaves County, New Mexico and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed Unit Area covered by said Agreement embraces 18,301.69 acres of land, more or less, more particularly described as follows:

T-14-S, R-19-E, NMPM
Secs. 21, 22, 23: All
Secs. 26, 27, 28: All
Secs. 33, 34, 35: All

T-15-S, R-19-E, NMPM
Secs. 1, 2, 3: All
Secs. 10 through 15: All
Secs. 22 through 27: All

T-15-S, R-20-E, NMPM
Sec. 17: $W\frac{1}{2}$
Secs. 18 & 19: All
Sec. 20: $W\frac{1}{2}$
Sec. 29: $W\frac{1}{2}$
Sec. 30: All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 13,810.68 acres are lands of the United States, being 75.46% of the Area; 3,291.01 acres are State of New Mexico lands being 17.98% of the Area, and 1,200.00 acres are Fee Land being 6.56% of the Unit Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That McClellan Oil Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Precambrian basement, but applicant is not obligated to drill said well in any event to a depth in excess of 5,000 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Division rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

7. That upon an order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon

said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the December 19, 1984, hearing.

DATED this 19th day of November, 1984.

McClellan Oil Corporation

By: 

Randolph M. Richardson, III

Attorney at Law

P.O. Box 2423

Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERALS DEPARTMENT
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
THE FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

Case 8427

New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

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Secs. 26, 27, 28: All
Secs. 33, 34, 35: All

T-15-S, R-19-E, NMPM
Secs. 1, 2, 3: All
Secs. 10 through 15: All
Secs. 22 through 27: All

T-15-S, R-20-E, NMPM
Sec. 17: $W\frac{1}{2}$
Secs. 18 & 19: All
Sec. 20: $W\frac{1}{2}$
Sec. 29: $W\frac{1}{2}$
Sec. 30: All

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 13,810.68 acres are lands of the United States, being 75.46% of the Area; 3,291.01 acres are State of New Mexico lands being 17.98% of the Area, and 1,200.00 acres are Fee Land being 6.56% of the Unit Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That McClellan Oil Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Precambrian basement, but applicant is not obligated to drill said well in any event to a depth in excess of 5,000 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Division rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.


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DATED this 19th day of November, 1984.

McClellan Oil Corporation

By: 
Randolph M. Richardson, III
Attorney at Law
P.O. Box 2423
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERALS DEPARTMENT
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
THE FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

case 8427

New Mexico Oil Conservation Division
Santa Fe, New Mexico 87501

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Secs. 33, 34, 35: All	Secs. 22 through 27: All
<u>T-15-S, R-20-E, NMPM</u>	
Sec. 17: $W\frac{1}{2}$	
Secs. 18 & 19: All	
Sec. 20: $W\frac{1}{2}$	
Sec. 29: $W\frac{1}{2}$	
Sec. 30: All	

Chaves County, New Mexico

2. That of the lands embraced within the proposed Unit, 13,810.68 acres are lands of the United States, being 75.46% of the Area; 3,291.01 acres are State of New Mexico lands being 17.98% of the Area, and 1,200.00 acres are Fee Land being 6.56% of the Unit Area.

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6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

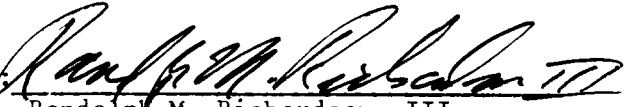
7. That upon an order being entered by the New Mexico Oil Conservation Division approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Division.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon

said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the December 19, 1984, hearing.

DATED this 19th day of November, 1984.

McClellan Oil Corporation

By: 

Randolph M. Richardson, III

Attorney at Law

P.O. Box 2423

Roswell, New Mexico 88201



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell District Office

P. O. Box 1397

Roswell, New Mexico 88201

IN REPLY
REFER TO:

NM061P35-85U513

January 30, 1985

Mr. Randolph M. Richardson
P.O. Box 2423
Roswell, NM 88201

Dear Mr. Richardson:

On behalf of McClellan Oil Corporation, unit operator of Flying "H" Unit, Chaves County, New Mexico, two approved copies of the Unit Agreement are enclosed. Such agreement has been assigned No. NM061P35-85U513 and is approved and effective on this same date.

You are requested to furnish all interested parties with appropriate evidence of this approval.

Sincerely yours,

District Manager

Associate

Enclosure

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. sec. 181, et seq., and delegated to the appropriate District Manager

Bureau of Land Management service under the authority of 43 CFR 3180, I do hereby:

A. Approve the attached agreement for the development and operation of the Flying "H", Unit Area, State of New Mexico, County of Chaves.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental minimum royalty, and royalty requirements of all Federal lease committed to said agreement are hereby established altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated 1-30-85

Richard Bastin

(Name and Title of authorized officer of the Bureau of Land Management)

ASSOCIATE DISTRICT MANAGER

Contract Number NM061P35-854513

Effective Date 1-30-85

UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF THE

Unit Area Flying "H"
County of Chaves
State of New Mexico
No. NM 061P35-854513

This agreement, entered into as of the 15th day of November,
1984, 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. Sec. 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 unit plan of development or operations of any oil and gas pool, field,
or like area, or any part thereof for the purpose of more properly conserving the
natural resources thereof whenever determined and certified by the Secretary of the
Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized
by an Act of the Legislature (Secs. 10-10-45, 46, 47 N.M. Statutes 1978 Annotated) to
consent to or approve this agreement on behalf of the State of New Mexico, insofar as
it covers and includes lands and mineral interest of the State of New Mexico; and

WHEREAS, the Oil Conservation Division of the State of New Mexico Energy and Min-
erals Department is authorized by an Act of the Legislature (Chapters 70 and 71, New
Mexico Statutes 1978, Annotated) to approve this agreement and the conservation pro-
visions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the _____
Flying "H" 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 interests in the below-
defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920,
as amended, supra, and all valid pertinent regulations including operating and unit plan
regulations, heretofore issued thereunder or valid, pertinent, and reasonable regula-
tions 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.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 18,301.69 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator, the acreage, percentages, and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in Exhibits "A" or "B" 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 the Exhibits as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or in the ownership interests in the individual tracts render such revision necessary, or when requested by the Authorized Officer, hereinafter referred to as AO, or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than four copies of the revised Exhibits shall be filed with the proper BLM office, and one (1) copy thereof shall be filed with the Land Commissioner and one copy with the Oil Conservation Division of the Energy and Minerals Department, hereinafter referred to as "Division".

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion (after preliminary concurrence by the AO), or on demand of the AO, or on demand of the Land Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefore, any plans for additional drilling, and the proposed effective date of the expansion or contraction, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the proper BLM office, the Land Commissioner and Division, and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof. Unit Operator shall file with the AO, the Land Commissioner and Division, evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with Unit Operator, together with an application in triplicate, for approval of such expansion or contraction and with appropriate joinders.

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

(e) All legal subdivisions of land (i.e. 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys, unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are in or entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90-days time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the AO and Land Commissioner and promptly notify all parties in interest. All lands reasonably proved productive of unitized substances in paying quantities by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said first 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands not then entitled to be in a participating area shall be automatically eliminated effective as the 91st day thereafter.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands. If conditions warrant extension of the 10-year period specified in this subsection, a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent of the working interest in the current nonparticipating unitized lands and the owners of 60 percent of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the AO and Land Commissioner provided such extension application is submitted not later than 60 days prior to the expiration of said 10-year period.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land now or hereafter committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. McClellan Oil Corporation is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest only when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, 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 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners, the AO and the Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, whichever is required by the AO, as to federal lands and State Division as to state and privately owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time after a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the AO and the Land Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of 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, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is selected or elected, to be used for the purposes of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, or appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by the working interest owners, the owners of the working interests according to their respective acreage interests in all unitized land shall, pursuant to the Approval of the Parties requirements of the unit operating agreement, select a successor Unit Operator. Such selection shall not become effective until:

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

(b) the selection shall have been approved by the AO and Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the AO and Land Commissioner at their election, may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Oper-

ator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provided the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this agreement and the unit operating agreement, this agreement shall govern. Two copies of any unit operating agreement executed pursuant to this section shall be filed in the proper BLM office and one copy with the Land Commissioner, prior to approval of this unit agreement.

8. 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. Acceptable evidence of title to said rights shall be deposited with 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall commence to drill an adequate test well at a location approved by the AO if on federal land, or by the Land Commissioner if on state land, or by the Division if on fee land, unless on such effective date a well is being drilled in conformity with the terms hereof, and thereafter continue such drilling diligently until the Precambrian basement has been penetrated and - - - the formation overlying the Precambrian has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the AO if on federal land, or Land Commissioner if on state land, or State Division if on fee land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 5,000 feet. Until the discovery of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the commencement of drilling

operations for the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the AO if on federal land, or of the Land Commissioner if on State Land, or the Division if on fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section.

The AO and Land Commissioner may modify any of the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to commence any well as provided for in this section within the time allowed, prior to the establishment of a participating area, including any extension of time granted by the AO and Land Commissioner, this agreement will automatically terminate. Upon failure to continue drilling diligently any well commenced hereunder, the AO and Land Commissioner may, after 15 days notice to the Unit Operator, declare this unit agreement terminated. The parties to this agreement may not initiate a request to voluntarily terminate this agreement during the first 6 months of its term unless at least one obligation well has been drilled in accordance with the provisions of this section.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the AO, the Land Commissioner and the Division, an acceptable plan of development and operation for the unitized land which, when approved by the DMM, Land Commissioner and the State Division, shall constitute the further drilling and development obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the AO, the Land Commissioner and State Division, a plan for an additional specified period for the development and operation of the unitized land. Subsequent plans should normally be filed on calendar year basis not later than March 1, each year. Any proposed modification or addition to the existing plan should be filed as a supplement to the plan.

Any plan submitted pursuant to this section shall provide for the timely exploration of the unitized area, and for the diligent drilling necessary for determination of the area or areas capable of producing unitized substances in paying quantities in each and every productive formation. This plan shall be as complete and adequate as the AO, the Land Commissioner and State Division, may determine to be necessary for timely development and proper conservation of the oil and gas resources in the unitized area and shall:

(a) Specify the number and locations of any wells to be drilled and proposed order and time for such drilling; and

(b) provide a summary of operations and production for the previous year.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development and operation. The AO and the Land Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development and operation where such action is justified because of unusual conditions or circumstances.

After completion of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the AO, the Land Commissioner and State Division, shall be drilled except in accordance with an approved plan of development and operation.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, or as soon thereafter as required by the AO, the Land Commissioner or State Division, the Unit Operator shall submit for approval by the AO, the Land Commissioner and State Division, a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive of unitized substances in paying quantities. These lands shall constitute a participating area on approval of the AO, the Land Commissioner and State Division, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. The schedule shall also set forth the percentage of unitized substances to be allocated, as provided in Section 12, to each committed tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A different participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the AO, the Land Commissioner and State Division. When production from two or more participating areas is subsequently found to be from a common pool or deposit, the participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the AO, the Land Commissioner and State Division. The participating area or areas so established shall be revised from time to time, subject to the approval of the AO, the Land Commissioner and State Division, to include additional lands then regarded as reasonably proved to be productive of unitized substances in paying quantities or which are necessary for unit operations, or to exclude lands then regarded as reasonably proved not to be productive of unitized substances in paying quantities, and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which the knowledge or information is obtained on which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by Unit Operator and approved by the AO, the Land Commissioner and State Division. No land shall be excluded from a participating area on account of depletion of its unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area productive of unitized substances known or reasonably proved to be productive in paying quantities or which are necessary for unit operations; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the AO, the Land Commissioner and State Division, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established, the portion of all payments affected thereby shall, except royalty due the United States,

be impounded in a manner mutually acceptable to the owners of committed working interests, and the AO and Land Commissioner. Royalties due the United States shall be determined by the AO as to federal lands and the State Commissioner as to state lands, and the amount thereof shall be deposited, as directed by the AO and Land Commissioner, until a participating area is finally approved and then adjusted in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the AO, the Land Commissioner and State Division, that a well drilled under this agreement is not capable of production of unitized substances in paying quantities and inclusion in a participating area of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located, unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a nonpaying unit well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, and other production or development purposes, for repressuring or recycling in accordance with a plan of development and operations which has been approved by the AO, the Land Commissioner and State Division, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production. For the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of the participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from the latter participating area for sale during the life of this agreement, shall be considered to be the gas so transferred, until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time that such transferred gas was finally produced and sold.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the AO, the Land Commissioner and State Division, at such party's sole risk, costs, and expense, drill a well to test any formation provided the well is outside any participating area established for that formation, unless within 90 days of receipt of notice from said party of his intention

to drill the well, the Unit Operator elects and commences to drill the well in a like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled under this section by a working interest owner results in production of unitized substances in paying quantities such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled under this section by a working interest owner that obtains production in quantities insufficient to justify the inclusion of the land upon which such well is situated in a participating area, such well may be operated and produced by the party drilling the same, subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall be hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, or by the Unit Operator on or before the last day of each month or unitized substances produced during the preceding calendar month; provided, however, that nothing in this section shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of development and operation approved by the AO; the Land Commissioner and State Division, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of development and operation or as may otherwise be consented to by the AO, the Land Commissioner and State Division, as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in 30 CFR Part 221 and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided in Section 12 at the rates specified in the respective Federal leases, or at such other rate or rates as may be authorized by law or regulation and approved by the AO; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by appropriate working interest owners under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the leases of any land from their respective lessees obligations for the payment of any rentals or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on the State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time thereinspecified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby, or until some portion of such land is included within a participating area.

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

17. DRAINAGE. The Unit Operator shall take such measures as the AO and Land Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, which shall include the drilling of protective wells and which may include the payment of a fair and reasonable compensatory royalty, as determined by the AO as to Federal Leases and the Land Commissioner as to State Leases.

18. 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 as to federal lands and Land Commissioner as to state lands, shall and by their approval hereof, or by the approval hereof by their duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental minimum royalty, and royalty requirements of federal and state leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement and without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The 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 and every separately owned tract subject to this agree-

ment, regardless of whether there is any development of any particular tract of this unit area.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the AO and Land Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production of unitized substances in paying quantities is established in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for 2 years, and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act, as amended.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, provided that drilling operations on the initial test well are commenced prior to the expiration date of any State lease within the unit area, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784) (30 U.S.C. 226(j)):

"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."

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. CONVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the AO and Land Commissioner and shall automatically terminate 5 years from said effective date unless:

(a) Upon application by the Unit Operator such date of expiration is extended by the AO and Land Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder, and after notice of intention to terminate this agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, this agreement is terminated with the approval of the AO and Land Commissioner, or

(c) a valuable discovery of unitized substances in paying quantities has been made or accepted on unitized land during said initial term or any extension thereof, in which event this agreement shall remain in effect for such term and so long thereafter as unitized substances can be produced as to Federal land, and are being produced as to State land, in quantities sufficient to pay for the costs of producing same from wells on unitized land within any participating area established hereunder. Should production cease and diligent operations to restore production or new production are not in progress

or reworking within 60 days and production is not restored or should new production not be obtained in paying quantities on committed lands within this unit area, this agreement will automatically terminate effective the last day of the month in which the last unitized production occurred or

(d) it is voluntarily terminated as provided in this agreement. Except as noted herein, this agreement may be terminated at any time prior to the discovery of unitized substances which can be produced in paying quantities by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the AO and the Land Commissioner. The Unit Operator shall give notice of any such approval to all parties hereto. Voluntary termination may not occur during the first 6 months of this agreement unless at least one obligation well shall have been drilled in conformance and accordance with Section 9.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The AO is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement when such quantity and rate are not fixed pursuant to Federal or State law, or do not conform to any Statewide voluntary conservation or allocation program which is established, recognized, and generally adhered to by the majority of operators in such State. The above authority is hereby limited to alteration or modifications which are in the public interest. The public interest to be served and the purpose thereof, must be stated in the order of alteration or modification. Without regard to the foregoing, the AO is also hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objections stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of specific written approval thereof by the Commissioner and also to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

Powers in the section vested in the AO shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

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

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be in writing and shall be personally delivered to the party or parties, or sent by postpaid registered or certified mail, to the last known address of the party or parties.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing contained in this agreement 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 where the unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling, or to operate on, or produce unitized substances from any of the lands covered by this agreement, shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in the open market, or other matters beyond the reasonable control of the Unit Operator, whether similar to matters herein enumerated or not.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 FR 12319), as amended, which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to 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 and State lands or leases, no payments of funds due the United States or State of New Mexico shall be withheld, but such funds shall be deposited as directed by the AO, and such funds of the State shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

28. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw the tract from this agreement by written notice delivered to the proper BLM office, the Land Commissioner and State Division and the Unit Operator prior to the approval of this agreement by the AO and Land Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right to subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approval(s), if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a nonworking interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such nonworking interest. A nonworking interest may not be committed hereto, unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, in order for the interest to be regarded as committed to this agreement, except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the date of the filing with the

AO, the Land Commissioner and State Division, of duly executed counterparts of all or any papers necessary to establish effective commitment of any interest and/or tract to this agreement.

29. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described unit area.

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working-interest owner of the right to surrender vested in such party by any lease, sub-lease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and ^{forfeit JAL 1-31-85} further benefits from operation hereunder as to said lands to the party next in the chain of title who shall be and become the owner of such working interest.

If, as the result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

(1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or

(2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement; or

(3) Provide for the independent operation of any part of such land that is not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, of all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interests subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. ~~In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.~~ JAL 1-31-85

The exercise of any right vested in a working-interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions

as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working-interest owners shall tender and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered, and sold from the land covered by this Agreement after its effective date, or upon the proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said-tract, and may currently retain and deduct sufficient amount of the unitized substances or derivative products, or net proceeds thereof, from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas leases covering lands within the Unit Area.

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

ATTEST:
By: Deloris Taylor Secretary
McClellan Oil Corporation

McClellan Oil Corporation

By: Jack L. McClellan President

UNIT OPERATOR

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 18th day of January, 1985, by Jack L. McClellan who is President of McClellan Oil Corporation, a New Mexico corporation, for and on behalf of said corporation.

My Commission Expires:

10-14-87
NOTARY
PUBLIC

Leona Stewart
Notary Public

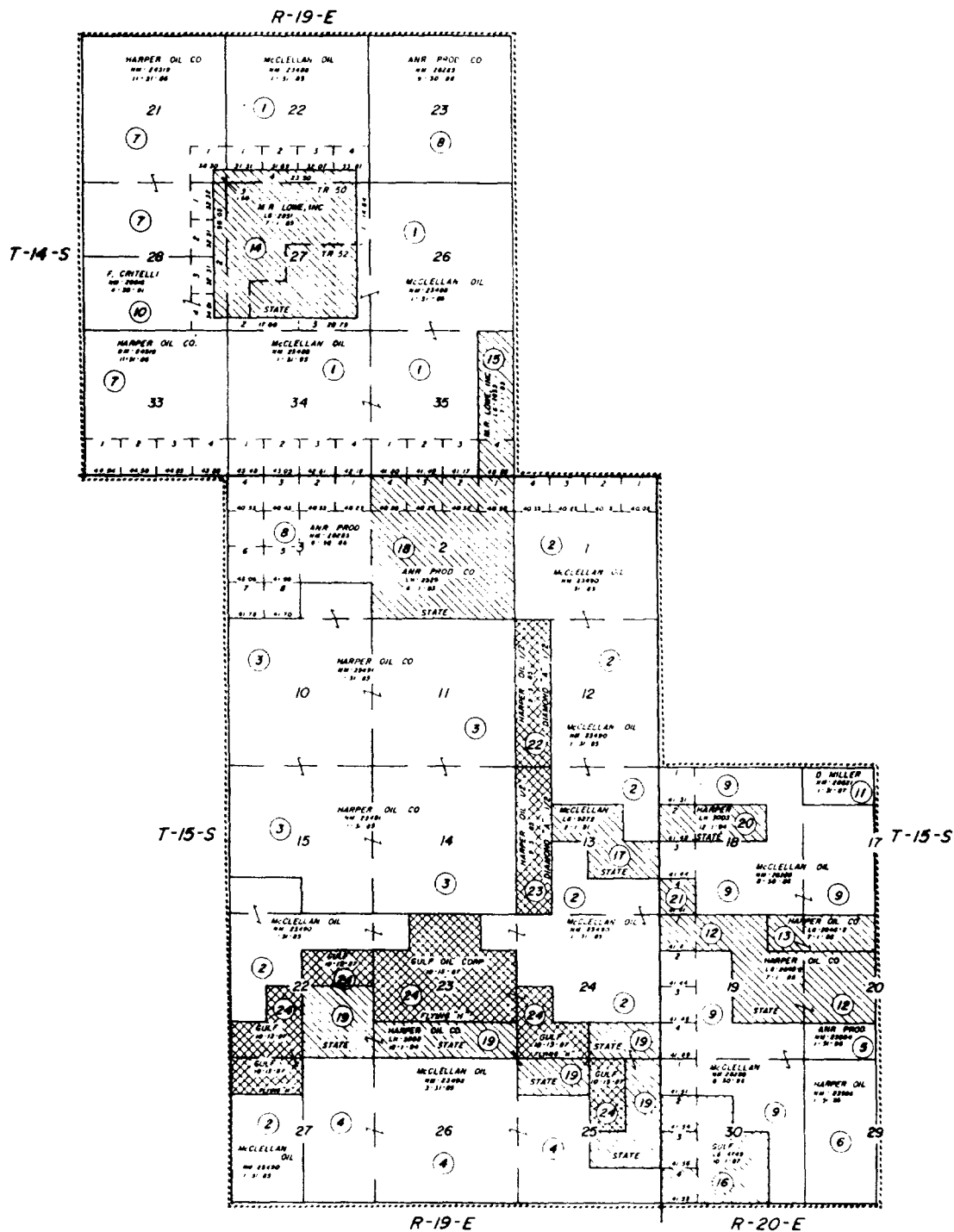


EXHIBIT "A"
FLYING "H" RANCH UNIT AREA
CHAVES COUNTY, NEW MEXICO

EXHIBIT "B"
Schedule Showing All Lands And Leases
Within the Flying "H" Unit
Chaves County, New Mexico

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. AND EXP. DATE	BASIC		OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
				ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE		
FEDERAL LANDS							
1.	T-14-S, R-19-E, NMPM	2,445.09	NM-23488	USA	McClellan Oil Corp.	Jack L. McClellan 1.5%	McClellan Oil Corp.
	Sec. 22: Lots 1, 2, 3, 4, N½, N½S½ (all)		1-31-85	12.5%	100%		100%
	Sec. 26: All						
	Sec. 27: Lots 1, 2, 3						
	Sec. 34: Lots 1, 2, 3, 4, N½, N½S½ (all)						
	Sec. 35: Lots 1, 2, 3, W½NE¼, NW¼, N½SW¼, NW¼SE¼						
2.	T-15-S, R-19-E, NMPM	2,560.80	NM-23490	USA	McClellan Oil Corp.	R. Hugo, C. Corter & Karen N. Corter, Lewis O. Campbell & Rosita Campbell Jack L. McClellan 1.5% 5.0%	McClellan Oil Corp.
	Sec. 1: Lots 1, 2, 3, 4, S½N½, S½ (all)		1-31-85	12.5%	100%		100%
	Sec. 12: E½, E½W½						
	Sec. 13: N½NE¼, SE¼NE¼, NE¼NW¼, E½SW¼, S½SE¼						
	Sec. 15: S½SW¼						
	Sec. 22: N½NE¼, NW¼, NW¼SW¼						
	Sec. 23: NE¼NE¼, NW¼NW¼						
	Sec. 24: N½, NE¼SW¼, N½SE¼						
	Sec. 27: S½NW¼, SW¼						

3.	T-15-S, R-19-E, NMPM Sec. 3: S½SE¼ Sec. 10: All Sec. 11: All Sec. 14: All Sec. 15: N½, N½S½, S½SE¼	2,560.00	NM-23491 1-31-85	USA 12.5%	Harper Oil Co. 100%	James Homer Drake Renee Richards	1.5% 1.5% 3.0%	Harper Oil Co. 100%
4.	T-15-S, R-19-E, NMPM Sec. 25: S½NW¼, SW¼ S½SE¼ Sec. 26: All Sec. 27: E½	1,280.00	NM-23492 3-31-85	USA 12.5%	McClellan Oil Corp. 100%	Jack L. McClellan 1.5%	McClellan Oil Corp. 50% O.L. Gragg 50%	
5.	T-15-S, R-20-E, NMPM Sec. 20: S½SW¼	80.00	NM-23504 1-31-85	USA 12.5%	ANR Production Co. 100%	Est. F.J. Bradshaw ANR Production Co.	5.0% 7.5% 12.5%	Harper Oil Co.* 100%
6.	T-15-S, R-20-E, NMPM Sec. 29: W½	320.00	NM-23505 1-31-85	USA 12.5%	Harper Oil Co. 100%	Bruce A. Blakemore Est. Tr. 3.0%	Harper Oil Co. 100%	
7.	T-14-S, R-19-E, NMPM Sec. 21: N½, SW¼, N½SE¼, SW½SE¼, Lot 1 (all) Sec. 28: Lots 1, 2, W½NE¼, NW¼ Sec. 33: Lots 1, 2, 3, 4, N½, N½S½ (all)	1,600.57	NM-24319 11-31-86	USA 12.5%	Harper Oil Co. 100%	James H. Drake Renee Richards Hoover Wright	1.5% 1.5% 2.0%	Harper Oil Co. 100%
8.	T-14-S, R-19-E, NMPM Sec. 23: All T-15-S, R-19-E, NMPM Sec. 3: Lots 1, 2, 3, 4, 5, 6, 7, 8 S½N½, N½SE¼	1,209.05	NM-28285 9-30-86	USA 12.5%	ANR Production Co. 100%	G. Dee & Paulette Williamson Wayne A. Piette ANR Production Co.	4.0% 1.0% 7.5% 12.5%	Harper Oil Co.* 100%

*Harper Oil Company is acquiring the interest of ANR Production Co. by farmout and contribution agreement. Assignment of record title to be made after completion of the initial test well upon the Unit Area.

9.	T-15-S, R-20-E, NMPM Sec. 17: S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ Sec. 18: Lots 1, 3, N $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Sec. 19: Lots 2, 3, 4, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 30: Lot 1, NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	1,368.85	NM-28289 8-30-86	USA 12.5%	McClellan Oil Corp. 100%	Marie A. & K.J. Feil 5.0% 0.5% 5.5%	McClellan Oil Corp. 50% Toles Company, Ltd. 50% Total 100%
10.	T-14-S, R-19-E, NMPM Sec. 28: Lots 3, 4, SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$	306.32	NM-28616 4-30-91	USA 12.5%	Frank N. Critelli 33.33% Melbourne Concept, Inc. 66.67%	none	Frank N. Critelli 33.33% Melbourne Concept, Inc. 66.67%
11.	T-15-S, R-20-E, NMPM Sec. 17: N $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	NM-28621 1-31-87	USA 12.5%	David Miller 100%	unknown	David Miller 100%
Total 13,810.68 Acres, Federal Land							
STATE OF NEW MEXICO LANDS							
12.	T-15-S, R-20-E, NMPM Sec. 19: Lot 1, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 20: S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$	441.41	LG-2845-2 7-1-85	State 12.5%	Harper Oil Co. 100%	None	Harper Oil Co. 100%
13.	T-15-S, R-20-E, NMPM Sec. 19: NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 20: N $\frac{1}{2}$ NW $\frac{1}{4}$	120.00	LG-2846-2 7-1-85	State 12.5%	Harper Oil Co. 100%	None	Harper Oil Co. 100%

14.	<u>T-14-S, R-19-E, NMPM</u> Tracts 50 & 52, as shown on Official U.S. Government Survey dated October 19, 1929 (Section 27)	640.00	LG-2851 7-1-85	State 12.5%	M. Ralph Lowe, Inc. 100%	None	M. Ralph Lowe, Inc. 100%
15.	<u>T-14-S, R-19-E, NMPM</u> Sec. 35: Lot 4, NE $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$	160.86	LG-2853 7-1-85	State 12.5%	M. Ralph Lowe, Inc. 100%	None	M. Ralph Lowe, Inc. 100%
16.	<u>T-15-S, R-20-E, NMPM</u> Sec. 30: Lots 2, 3, 4, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	324.69	LG-4749 10-1-87	State 12.5%	Gulf Oil Corp. 100%	None	Gulf Oil Corp. 100%
17.	<u>T-15-S, R-19-E, NMPM</u> Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	160.00	LG-9272 2-1-91	State 12.5%	McClellan Oil Corp. 100%	Jack L. McClellan	McClellan Oil Corp. 100%
18.	<u>T-15-S, R-19-E, NMPM</u> Sec. 2: Lots 1, 2, 3, 4, SW $\frac{1}{4}$, S $\frac{1}{2}$ (all)	641.16	LH-2529 6-1-93	State 12.5%	ANR Production Co. 100%	None	Harper Oil Co.* 100%
19.	<u>T-15-S, R-19-E, NMPM</u> Sec. 22: SE $\frac{1}{4}$ Sec. 23: S $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 24: S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 25: N $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	640.00	LH-3002 12-1-94	State 12.5%	Harper Oil Co. 100%	None	Harper Oil Co. 46.795 McClellan Oil Corp. 46.795 M. Ralph Lowe, Inc. 6.410 <u>100.000</u>

*Harper Oil Company is acquiring the interest of
ANR Production Co. by farmout and contribution agree-
ment. Assignment of record title to be made after
completion of the initial test well upon the Unit Area.

20.	<u>T-15-S, R-20-E, NMPM</u> <u>Sec. 18: Lot 2, SE$\frac{1}{4}$NW$\frac{1}{4}$,</u> <u>SW$\frac{1}{4}$NE$\frac{1}{4}$</u>	121.48	LH-3003 12-1-94	State 12.5	Harper Oil Co. 100%	None	Harper Oil Co. 46.795 McClellan Oil Corp. 46.795 M. Ralph Lowe, Inc. 6.410 <u>100.000</u>
21.	<u>T-15-S, R-20-E, NMPM</u> <u>Sec. 18: Lot 4</u>	41.41	unleased-open				

Total 3,291.01 Acres, State Land

FREE LANDS

22.	<u>T-15-S, R-19-E, NMPM</u> <u>Sec. 12: NW$\frac{1}{4}$</u>	160.00	Fee 9-5-85	Kaywall Inc. 1/4 x 18.75%	Harper Oil Co. 50% Unleased 50% <u>100%</u>	None	Harper Oil Co. 50% unleased 50% <u>100%</u>
			9-5-85	E.M. & M.K. Lawless, Trustees 1/4 x 18.75%			
			unleased	Diamond A. Cattle Co.			
23.	<u>T-15-S, R-19-E, NMPM</u> <u>Sec. 13: NW$\frac{1}{4}$</u>	160.00	Fee 9-5-85	Kaywall Inc. 1/4 x 18.75%	Harper Oil Co. 50% Unleased 50% <u>100%</u>	None	Harper Oil Co. 50% unleased 50% <u>100%</u>
			9-5-85	E.M. & M.K. Lawless, Trustees 1/4 x 18.75%			
			unleased	Diamond A Cattle Co.			

24.	T-15-S, R-19-E, NMPP	880.00	Fee				
	Sec. 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$		10-13-87	Flying "H" Ranch, Inc.	Gulf Oil Corp.	None	Gulf Oil Corp.
				3/5 x 12.5%	100%		100%
	Sec. 23: NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$		10-17-87	Elsie Hen-			
	Sec. 24: W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$			dicks			
	Sec. 25: W $\frac{1}{2}$ NE $\frac{1}{4}$			2/5 x 12.5%			
	Sec. 27: N $\frac{1}{2}$ NW $\frac{1}{4}$						

Total 1,200.00 Acres, Fee (Private) Land

Recapitulation:

13,810.68	Acres	Federal Land	75.46%
3,291.01	Acres	State Land	17.98
<u>1,200.00</u>	<u>Acres</u>	<u>Private Land</u>	<u>6.56</u>
18,301.69	Acres		100.00%

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

[Signature]
Assistant Secretary

HARPER OIL COMPANY
By: [Signature]
Vice President

INDIVIDUAL

3-5-6-7-8-12-13-18-
19-20-22-23 [Signature]

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____.

My Commission Expires:

Notary Public in and for _____ County.

CORPORATE

STATE OF OKLAHOMA)
COUNTY OF OKLAHOMA) ss.

The foregoing instrument was acknowledged before me this 21st day of January, 1985, by Jack L. Hitt who is Vice President of Harper Oil Company, a Oklahoma corporation, for and on behalf of said corporation.

My Commission Expires:
9-7-86

[Signature]
Notary Public in and for Oklahoma County.

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

BY: ANR Production Company
W. B. Wright, Attorney-In-Fact *son*

INDIVIDUAL 5-8-18

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____.

My Commission Expires:

Notary Public in and for _____ County.

CORPORATE

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 18th day of January, 198 5, by W. B. Wright who is Attorney-In-Fact of ANR Production Company, a Delaware corporation, for and on behalf of said corporation.

My Commission Expires:

ROBIN R. HUMPHREY
Notary Public, State of Texas
My Commission Expires 5-20-86

Robin R. Humphrey
Notary Public in and for Harris County. Texas

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisons thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

TOLES-COM-LTD., A Limited Partnership

By

J. Penrod Toles

General Partner

INDIVIDUAL

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 7th day of January, 1985, by J. Penrod Toles, General Partner Toles-Com-Ltd., a Limited Partnership, in behalf of said partnership.

My Commission Expires:

NOTARY PUBLIC
9-14-85

Jerome R. Rios
Notary Public in and for

Chaves County.

CORPORATE

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public in and for

County.

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisons thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments. **M. RALPH LOWE, INC.**

MARY RALPH LOWE
President and
Chief Executive Officer

INDIVIDUAL

14-15-19-20

STATE OF _____)
 : ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this day of

_____, 198____, by _____.

My Commission Expires:

Notary Public in and for

County.

THE STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared Mary Ralph Lowe, known to me to be the person whose name is subscribed to the foregoing instrument, as President & Chief Executive Officer of M. Ralph Lowe, Inc., a corporation, and acknowledged to me that she executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 18th day of January, A.D. 19 85.

My Commission Expires:

Dolores D. Whitaker
Notary Public in and for Harris
County, Texas

Darlene D. Whitaker

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

R. Hugo C. Cotter
R. Hugo C. Cotter
Karen N. Cotter
Karen N. Cotter

Lewis O. Campbell
Lewis O. Campbell
Rosita Campbell
Rosita Campbell

INDIVIDUAL

CH-2

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 31st day of December, 1984, by R. Hugo C. Cotter and Karen N. Cotter, his wife, and Lewis O. Campbell and Rosita Campbell, his wife.

My Commission Expires:
4-10-88

Mary Jo Posa
Notary Public in and for
Bernalillo County.

CORPORATE

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____ County.

07-09-88

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

[Signature]
Betty Ann Wright

INDIVIDUAL

CRR 7

STATE OF New Mexico
COUNTY OF Santa Fe : ss.

The foregoing instrument was acknowledged before me this 31st day of December, 1984, by Harvey H. Wright and Betty Ann Wright his wife.

My Commission Expires:

2-18-1985

[Signature]
Notary Public in and for Santa Fe County.

CORPORATE

STATE OF _____)
COUNTY OF _____) : ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____ County.

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

G. Dee Williamson
Paulette Williamson

INDIVIDUAL

OK 2

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 27th day of December, 1984, by G. Dee Williamson and his wife, Paulette Williamson.

My Commission Expires:
October 27, 1988

Claudia Leslie
Notary Public in and for
Chaves County.

CORPORATE

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 198____, by _____ who is _____ of _____, a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____ County.

CONSENT AND RATIFICATION
FLYING "H" UNIT AGREEMENT
CHAVES COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Flying "H" Unit Area embracing lands situated in Chaves County, New Mexico, which said Agreement is dated the 15th day of November, 1984, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Flying "H" Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

K.J. Feil Marie A. Feil

INDIVIDUAL

STATE OF Washington)
: ss.
COUNTY OF King)

The foregoing instrument was acknowledged before me this 28th day of
December, 1984, by K.J. Feil and
Marie A. Feil

My Commission Expires:

10-14-87

Karen DeWales
Notary Public in and for

King County

CORPORATE

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of
_____, 198____, by _____
who is _____ of _____,
a _____ corporation, for and on behalf of said corporation.

My Commission Expires:

Notary Public in and for

County.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8427
Order No. R-7793

APPLICATION OF McCLELLAN OIL
CORPORATION FOR A UNIT AGREEMENT,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on December 19, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 23rd day of January, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, McClellan Oil Corporation, seeks approval of the Flying "H" Unit Agreement covering 18,301.69 acres, more or less, of State, Federal and Fee lands as described in Exhibit "A" attached hereto and made a part hereof.

(3) All plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

(4) Approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

- (1) The Flying "H" Unit Agreement covering 18,301.69 acres, more or less, of State, Federal and Fee lands as described in Exhibit "A" is hereby approved.
- (2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Division within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) All plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.
- (5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the appropriate agency of the United States Department of the Interior; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.
- (6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

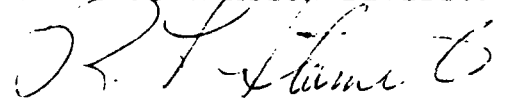
-3-

Case No. 8427

Order No. R-7793

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS,
Director

S E A L

CHAVES COUNTY, NEW MEXICO

TOWNSHIP 14 SOUTH, RANGE 19 EAST, NMPM

Sections 21 through 23: All
Sections 26 through 28: All
Sections 33 through 35: All

TOWNSHIP 15 SOUTH, RANGE 19 EAST, NMPM

Sections 1 through 3: All
Sections 10 through 15: All
Sections 22 through 27: All

TOWNSHIP 15 SOUTH, RANGE 20 EAST, NMPM

Section 17: W/2
Sections 18 and 19: All
Section 20: W/2
Section 29: W/2
Section 30: All

CASE NO. 8427
ORDER NO. R-7793
EXHIBIT "A"

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

FLYING "H" UNIT


CHAVES COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated November 15, 1984, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 23rd day of January, 1985.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico