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APPLICATION FOR APPROVAL OF
EXPANSION OF FLYING "M"
(SAN ANDRES) UNIT AREA

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Commissioner of Public Lands
Box 1148
Santa Fe, New Mexico 87501

Regional Supervisor
United States Geological Survey
Roswell, New Mexico 88201

Comes Coastal States Gas Producing Company, acting by and through the undersigned attorneys, and hereby makes application for approval of the expansion of the Flying "M" (San Andres) Unit Area by the Oil Conservation Commission, Commissioner of Public Lands and the Regional Supervisor of the Geological Survey, and in support thereof respectfully shows:

1. That on or about October 1, 1970 an application was filed by applicant with the Commissioner of Public Lands and Director of the United States Geological Survey for preliminary approval of the proposed expansion of the Flying "M" (San Andres) Unit Area and for preliminary approval of the participating formula as to additional tracts which are within the boundaries of the present unit area which are to be committed and as to tracts in the proposed expanded area. On October 9, 1970 preliminary approval of the expansion of the area and the proposed participating formula was approved by the Commissioner of Public Lands, a copy of the letter of approval being attached hereto as Exhibit "A".

On November 2, 1970 preliminary approval was granted by the Acting Director of the United States Geological Survey of both the proposed expansion and proposed participating formula, a copy of the letter of approval being attached hereto as Exhibit "B".

On January 6, 1971 a hearing was held before the Oil Conservation Commission on the application for approval of the proposed expansion and on January 15, 1971 the Commission issued Order R-3220-A in Case No. 4480 approving the proposed expansion, a copy of said order being attached hereto as Exhibit "C".

2. The lands proposed for addition to the unit consist of 260 acres of federal land, 239.48 acres of lands of the State of New Mexico and 400 acres of privately owned or fee lands and will increase the unit area from 4240 acres to 5119.48 acres. All tracts included in the proposed addition contain lands which from all geological information available are believed to be within the productive limits of the Flying "M" (San Andres) reservoir.

3. In addition to the expanded area the working interest owners of Tracts 24, 26, 27 and 28 as shown on Exhibit "B" of the unit agreement which were not previously committed to the unit are desirous of committing said tracts.

4. All of the working interest owners within the unit area, the proposed expanded area and in connection with the tracts not previously committed which are being committed have agreed upon the parameters and formula for the expanded area, said parameters and formula being set forth on Exhibit "D" attached hereto and made a part hereof.

5. There is attached hereto, made a part hereof, and for purposes of identification marked Exhibit "E", a schedule of participation for the committed tracts in the expanded area under both Phase I and Phase II participation.

6. There is attached hereto as Exhibit "F" a schedule showing the parties who have executed consents and ratifications and 8 copies of each consent and ratification shown on said schedule are filed herewith.

7. In connection with Tract 24, 20.063496% of the royalty owners have not consented to or ratified the unit agreement and as to Tract 26, 27 and 28, the owners of a 1% overriding royalty or a production payment payable out of 1% have not consented to or ratified the unit agreement. Said tracts are within the original unit area which are being committed to the unit agreement. As to Tract 34, which is in the proposed expanded area, 20.063496% of the royalty owners have not consented to or ratified the unit agreement.

Section 12 of the unit agreement provides that the working interest owners committing tracts in which 75% of the royalty owners but less than 100% have consented to or ratified the unit agreement shall indemnify and hold harmless all of the other working interest owners in and to the unit agreement in a manner satisfactory to 85% of the working interest owners committing interests to the unit agreement and that said 85% interest shall approve the commitment of said tracts to the unit agreement. There are filed herewith 8 copies of an instrument headed "Agreement Relative to Expansion of Flying "M" (San Andres) Unit Area" executed by the working interest owners in and to Tracts 24, 26, 27, 28 and 34 agreeing to indemnify and hold harmless all other parties against any and all claims and demands that may be made by the non-joining royalty owners resulting from the commitment and joinder of said tracts to the unit agreement and operations thereof in accordance with the terms of the unit agreement and unit operating agreement, said parties being as follows:

Amarillo Oil Company
Coastal States Gas Producing Company
Murphy Oil Corporation
Sipinam, Inc.
Southland Royalty Company
J. H. Herd
Gerhardt Wagner

8. The working interest owners joining in the Agreement Relative to Expansion of the Flying "M" (San Andres) Unit Area also waive the giving of any further notice by the unit operator in connection

with the expansion of the unit area which may be required under the provisions of Section 3 of the unit agreement and agree that the unit expansion and the commitment of Tracts 24, 26, 27 and 28 shall be effective as of the first day of the month following approval of the expansion by the Commissioner, Commission and Supervisor. Said instrument also authorizes the unit operator to file for approval with the Commission, Commissioner and Supervisor this application for approval of the expansion, together with executed copies of such other instruments as may be required for approval.

9. There are also filed herewith 8 copies of Exhibits "A" and "B" revised as of March 5, 1970 which, upon approval of the expansion, are to be substituted for Exhibits "A" and "B" attached to the unit agreement.

10. Less than 75% of the royalty owners in Tract No. 23 have committed their interests to the unit agreement and consequently this tract does not meet the provisions of Section 12 of the unit agreement and is not to be considered as committed to the unit.

11. Due to the fact that preliminary approval of the proposed expansion, commitment of the additional tracts within the original unit area and the participating formula has been given by the Commissioner of Public Lands and the Acting Director of the United States Geological Survey and the expansion has been approved by the Oil Conservation Commission and that notice by unit operator to the lessees and lessors whose interests are affected has been waived as set forth herein, applicant submits that all requirements of Section 3 of the unit agreement with respect to said expansion have been met.

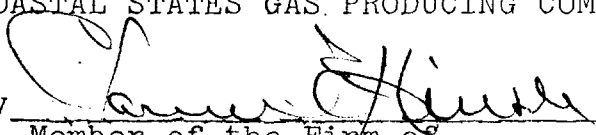
WHEREFORE, applicant respectfully requests that the proposed expansion of the unit area and the participating formula in connection therewith be approved and the commitment of Tracts 24, 26, 27 and 28 not previously committed and that the unit expansion and the commitment

of said tracts be effective as of the first day of the month following approval of the expansion by the Commissioner, Commission and Supervisor.

Respectfully submitted,

COASTAL STATES GAS PRODUCING COMPANY

By

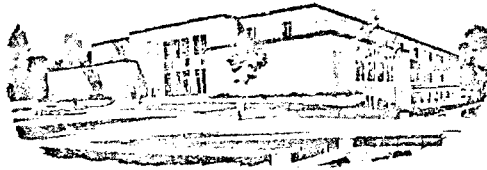

Member of the Firm of
HINKLE, BONDURANT, COX & EATON
Attorneys for Applicant

State of New Mexico

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OCT 10 1970

HINKLE, BONDURANT, COX & EATON
ROSWELL, NEW MEXICO



Commissioner of Public Lands

October 9, 1970

ALEX J. ARMIJO
COMMISSIONER

P. O. Box 1148
SANTA FE, NEW MEXICO

Hinkle, Bondurant, Cox & Eaton
600 Hinkle Building
P. O. Box 10
Roswell, New Mexico 88201

Re: Expansion of Flying "M"
San Andres Unit Area

Gentlemen:

The Commissioner of Public Lands has this date given preliminary concurrence to the proposed expansion of the Unit Area and the proposed commitment of Tracts 23, 24, 26, 27, and 28 which are within the present area but which have never been committed to the unit; also the participation formula for the above mentioned tracts and the tracts which are within the proposed expanded area, subject to like concurrence by the United States Geological Survey and the Oil Conservation Commission.

The proposed expansion embraces 879.48 acres comprised of 239.48 State land, 240 Federal and 400 Fee land. Such expansion will increase the Unit Area from 4,240.00 to 5,119.48 acres.

Please submit two (2) copies of the application for final approval accompanied by appropriate joinders for all the tracts now being committed to the unit. This office requires the ratifications of all Lessees of Record for each State tract that is to be committed.

Very truly yours,

Gordon G. Marcum, II
GORDON G. MARCUM, II, Director
Oil and Gas Department

AJA/GGM/s

cc: USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico

EXHIBIT "A"



United States Department of the Interior

GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

November 2, 1970

Coastal States Gas Producing Company
c/o Hinkle, Bondurant, Cox & Eaton
Post Office Box 10
Roswell, New Mexico 88201

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Attention: Mr. Clarence E. Hinkle

HINKLE, BONDURANT, COX & EATON
ROSWELL, NEW MEXICO

Gentlemen:

Your application of October 1, 1970, filed with the Oil and Gas Supervisor, Roswell, New Mexico, requests preliminary approval of a proposed expansion of the Flying "M" San Andres unit area, Lea County, New Mexico, and approval of the proposed basis of participation for the commitment of currently noncommitted tracts within the unit area.

The lands proposed for addition to the unit area consist of 240 acres of Federal land, 239.48 acres of State of New Mexico land, and 400 acres of fee land. The expansion will increase the unit area from 4,240.00 acres to 5,119.48 acres. All tracts included in the proposed addition contain lands indicated by available geologic information to be within the productive limits of the San Andres reservoir. The inclusion of these tracts in the unit area and the commitment of unit tracts 23, 24, 26, 27 and 28 is deemed necessary to obtain maximum recovery of secondary oil through better control of waterflood operations in the south end of the field.

No objection will be offered to the proposed expansion and commitment of currently noncommitted tracts within the unit area on the same basis of participation as the tracts added to the unit by the proposed expansion, provided the expansion is accomplished in accordance with the applicable provisions of section 3 of the unit agreement within a reasonable period of time.

When the Oil and Gas Supervisor, Roswell, New Mexico, is asked to grant final approval of the proposed expansion, a minimum of five copies of the request for final approval should be submitted along with five copies of each of the necessary joinders and evidence that the request has been approved by the appropriate officials of the State of New Mexico.

Sincerely yours,

W. A. Radlinski
Acting Director

EXHIBIT "B"

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4480
Order No. R-3220-A

APPLICATION OF COASTAL STATES GAS
PRODUCING COMPANY FOR EXPANSION OF
A UNIT AREA, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 6, 1971,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of January, 1971, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That by Order No. R-3220, dated April 26, 1967, the
Commission approved the Flying "M" San Andres Unit Agreement
covering 4080 acres, more or less, of State, Federal, and Fee
lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 15: W/2 W/2
Sections 16 and 17: All
Section 20: E/2 and E/2 NW/4
Section 21: All
Section 22: W/2 W/2
Section 27: W/2 NW/4
Section 28: N/2, SW/4, and W/2 SE/4

EXHIBIT "C"

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CASE No. 4480

Order No. R-3220-A

(2) Continued from Page 1 -

LEA COUNTY, NEW MEXICO
TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 29: E/2 and E/2 W/2
Section 32: NE/4 and E/2 NW/4
Section 33: W/2 NW/4

(3) That said unit was subsequently expanded on October 30, 1967, to include therein the following-described lands:

LEA COUNTY, NEW MEXICO
TOWNSHIP 9 SOUTH, RANGE 33, EAST, NMPM
Section 27: W/2 SW/4
Section 28: E/2 SE/4

(4) That the applicant, Coastal States Gas Producing Company, now seeks the expansion of said Flying "M" San Andres Unit Area to include 879.48 additional acres, more or less, of Federal, State, and Fee lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 29: W/2 W/2
Section 32: W/2 NW/4
Section 33: NE/4, E/2 NW/4, and SE/4
Section 34: W/2 NW/4

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
Section 4: NE/4

(5) That the proposed expansion of said Flying "M" San Andres Unit Area should promote the prevention of waste and protection of correlative rights within the unit area as expanded.

IT IS THEREFORE ORDERED:

(1) That the Flying "M" San Andres Unit Agreement, as amended to include the acreage described in Finding (4), above, is hereby approved.

(2) That the plan contained in said unit agreement, as amended, for the development and operation of the unit area is hereby approved in principle as a proper conservation measure;

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CASE No. 4480

Order No. R-3220-A

provided, however, that notwithstanding any of the provisions contained in said unit agreement, as amended, 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 Commission 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) That the unit operator shall file with the Commission an executed original or executed counterpart of the amendment to 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 Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of the aforesaid amendment to the Flying "M" San Andres Unit Agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

A. J. PORTER, Jr., Member & Secretary

S E A L

esr/

PARAMETERS AND FORMULA FOR THE
EXPANDED FLYING "W" (SAN ANDRES) UNIT
2-17-71

Tract	Company/Lease	No. Wells	Cum. 3-1-69	Rem. Prim.	Prod. Acres	%	Primary Current Rate Sept.-Feb. 1968-69	%	Ult. Prim.	%	1st Phase 25% Acres 75% Cur. Rt.	2nd Phase 25% Acres 75% Ult. Prim.
Coastal States												
Nancy Trow		1	26,911	25,084	80.000	1.9660	7,041	3.6895	51,995	1.8237	3.2586	1.8592
Nancy Trow		1	30,987	30,406	80.000	1.9660	8,535	4.4724	61,393	2.1534	3.8459	2.1065
Gonsales Fed. "33"		2	44,364	53,085	191.306	4.7015	14,901	7.8083	97,449	3.4181	7.0316	3.7390
Ainsworth "33"		1	8,172	18,112	118.934	2.9228	5,084	2.6641	26,284	0.9219	2.7288	1.4221
State "4"		1	6,674	23,776	139.804	3.4357	6,674	3.4972	30,450	1.0680	3.4818	1.6599
Coastal Sec. 34					12.545	0.3084			327	0.0115	.0771	.0771
W. A. State Sec. 32			327		38.306	0.9414					.2354	.2441
Southland Royalty												
Ferguson		1	75,139	29,105	135.091	3.3199	8,170	4.2812	104,244	3.6564	4.0408	3.5723
McCoy		2	61,359	48,554	80.000	1.9660	13,629	7.1417	109,913	3.8553	5.8478	3.3830
McCoy					47.798	1.1747					.2936	.2936
Existing Flying "W" (SA) Unit												
Committed tracts only		42	1,917,213	451,732	3145.327	77.2976	126,802	66.4456	2,368,945	83.0917	69.1586	81.6432
Total Expanded Unit												
Committed tracts only		51	2,171,146	669,854	4069.111	100.0000	190,836	100.0000	2,851,000	100.0000	100.0000	100.0000
Non-Committed Tracts												
Coastal States												-0-
McGuffin		1	87,975	61,025	70.889		17,130		149,000		-0-	-0-
McGuffin					38.242						-0-	-0-
G. R. Quintana					7.381							-0-
TOTAL EXPANDED UNIT AREA												
		52	2,259,121	730,879	4185.623		207,966		3,000,000			

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th u 22,
25

FLYING "M" SAN ANDRES UNIT (EXPANDED)
SCHEDULE OF PARTICIPATION FOR COMMITTED TRACTS

Tract No.	Owner of Record	Lease No.	Assignment No.	Phase I Participation	Phase II Participation
1a	Coastal States	NM-058102		5.9892	6.4381
1b	" "	NM-058102		.1320	.1580
3	" "	06-581-2		4.1758	5.3315
4	" "	06-670-1		5.4471	6.8126
5	Redfern Development Corp.	K-2129-1		2.7088	3.4722
6	" " "	K-2129-1		.5493	.6299
7	" " "	K-2129-1		.4478	.5286
8	Coastal States	06-494-3		2.4248	3.3328
9	" "	06-494-1		2.9593	3.2441
10	" "	06-494-4		3.6176	4.1383
11	" "	06-1981-3		.0526	.0621
12	" "	06-3798-3		.2363	.2790
13	" "	E-7392-1		10.8481	14.4994
14	Sinclair Oil & Gas	06-1294		2.6369	3.0832
15	Coastal States	06-5083		8.3003	8.7822
16	" "	06-5083-4		1.7899	1.6418
17	" "	06-5083-3		4.8055	6.0505
18	Murphy Oil Corp.	06-5789		.1701	.2008
19	Louisiana Land & Exploration	E-7481-3		.8729	.7930
20	Coastal States	06-1826-2		.6932	.8930
21	" "	E-7481-2		.9350	1.1549
22	" "	Fee		.1520	.1795
24	" "	Fee		3.2586	1.8592
25	" "	Fee		9.2141	9.9377
26	Southland Royalty	Fee		4.0408	3.5723
27	" "	Fee		5.8478	3.3830
28	" "	Fee		.2936	.2936
29	Coastal States	NM-2510		0.0	0.0
30	" "	NM-4352		7.0316	3.7390
31	" "	Fee		2.7288	1.4221
32	" "	L-434		3.4818	1.6599
34	" "	Fee		3.8459	2.1065
35	" "	06-1826-2		.2354	.2441
36	" "	Fee		.0771	.0771
				100.0000	100.0000

Non-Committed Tracts

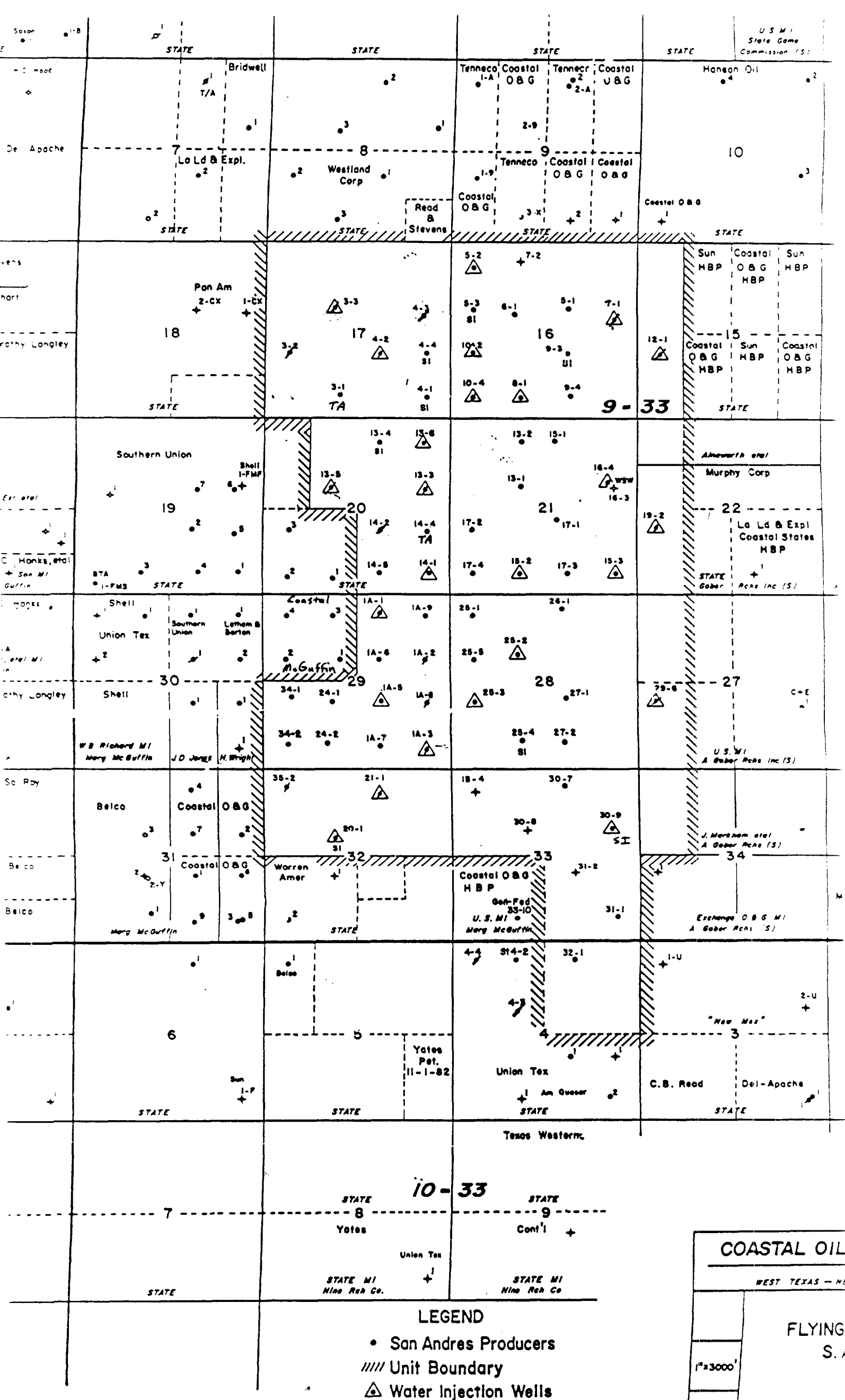
2	G. R. Quintana	NM-2510-A	--	--
23	Coastal States	Fee	--	--
33	Coastal States	Fee	--	--

EXHIBIT "E"

EXHIBIT "F"

Schedule of parties who have executed Consents and Ratifications

<u>Working Interest Owners</u>	<u>Tracts</u>
Amarillo Oil Company	6
Coastal States Gas Producing Company	1a, 1b, 29, 30, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 32, 35, 22, 24, 25, 31, 33, 34, 36 26, 27, 28
Southland Royalty Company	7
J. H. Herd	3, 4, 6, 8, 13, 15, 31, 33, 34, 36
Gerhardt Wagner	1a, 1b, 29, 30, 5, 7, 9, 10, 11, 12, 14, 16, 17, 19, 20, 21, 35, 22, 24, 25
Sipinam Inc.	18
Murphy Oil Corporation	
<u>Royalty Interest Owners</u>	
J. H. Herd	5, 6
Duane F. Fisher	24, 34
Mary O. Hockin	24, 34
J. R. Boyd	31
Douglas N. Boyd	31
Floyd D. Boyd	31
The Louisiana Land and Exploration Company	19, 21, 31
Redfern Development Corporation	5, 6, 7, 31, 36
Claremont Corporation	31
M. D. Bryant	24, 34
Aubrey Lee Fisher	24, 34
Ernest E. Fisher	24, 34
Joe W. Fisher	24, 34
Reba Annie Fisher	24, 34
Robert W. Fisher	24, 34
Wesley R. Fisher	24, 34
Myrtle Fisher Morrow	24, 34
Nancy Trow	24, 34
E. O. Elkan, Jr.	33
R. Edward Warn	33
The William K. Warren Foundation	20, 35
Charles B. Gonsales	1b, 29, 30
Elizabeth Ann Villa	1a, 1b, 29, 30
Elsie Louise Fullingim	36
Blanche Lange Fullingim	36
Julia Ruth Markham Proctor	36
John Markham	36
Jack Markham	36
M. K. Dean	36
Billie Joe Markham	36
C. B. Markham, Jr.	36
Sallie Mae Markham White	36
Fannye Gae Markham Ratcliff	36
O. D. McCoy	27, 28
Eula F. Corley	26
Alfred W. Lasher, Jr.	26
Maxine Ferguson	26
R. M. Richardson	24, 34



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FLYING "M" - SAN ANDRES UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT entered into as of the 1st day of December 1966, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto".

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty or other oil and gas interests in the unit area subject to this agreement, and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. 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 co-operative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest, and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N. M. Statutes 1953 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 interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-41 N. M. Statutes 1953 Annotated) to amend, with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the terms of such unitized development and operation of State lands, and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof, and

WHEREAS, the parties hereto hold sufficient interests in the Flying "M" - San Andres 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

Final

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 regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned 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 of New Mexico are hereby accepted and made a part of this agreement.

2. DEFINITIONS. For the purpose of this agreement, the following terms and expressions as used herein shall mean:

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

(b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(c) "Director" is defined as the Director of the United States Geological Survey.

(d) "Secretary" is defined as the Secretary of the Interior of the United States of America.

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

(f) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(g) "Unitized Formation" shall mean that subsurface portion of the unit area commonly known as the San Andres Slaughter zone and more specifically defined as that formation occurring between the depths below rotary drive bushing according to the well logs described below:

<u>Operator</u>	<u>Location, Lease and Well Number</u>	<u>Top of Unitized Formation</u>	<u>Base of Unitized Formation</u>	<u>Type Log</u>
CSGPC	Skelly State #1 1978' FNL & 1993' FWL Sec. 21, T9S-R33E	4456 ft.	4560 ft.	Schlumberger Gamma Ray-Neutron, dated 9/23/63
CSGPC	Southern Minerals State 21-#4 1904' FNL & 845' FEL Sec. 21, T9S-R33E	4494 ft.	4600 ft.	Schlumberger Sonic Gamma Ray, dated 2/23/66

<u>Operator</u>	<u>Location, Lease and Well Number</u>	<u>Top of Unitized Formation</u>	<u>Base of Unitized Formation</u>	<u>Type Log</u>
Shell Oil	State "FMB" #3 1980 FN & WL Sec. 17, T9S-R33E	4406 ft.	4509 ft.	Schlumberger Sonic Gamma Ray, dated 12/13/64

(h) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(i) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(j) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing, operating and producing the Unitized Substances from the Unitized Formation.

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

(l) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(m) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 8, infra, and shall be styled "Unit Operating Agreement, Flying "M" - San Andres Unit, Lea County, New Mexico."

(n) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(o) "Phase I" is defined as that period of time that Unitized Substances are produced from the unit area from and after the effective date of this agreement until 7:00 a.m. the first day of the calendar month ensuing after 3,000,000 barrels of oil minus the gross oil production from February 24, 1964 to the effective date of this agreement have been produced from the Unitized Formation. For the purposes of this definition the Operator's Monthly Report, Form C-115, filed with the New Mexico Oil Conservation Commission shall be deemed the controlling evidence of the production of 3,000,000 barrels of oil after February 24, 1964.

(p) "Phase II" is defined as the remainder of the term of this agreement after the termination of Phase I.

(q) "Current Rate" is defined as the total amount of San Andres oil produced from any tract within the unit area during the period of May 1, 1966 through October 31, 1966; however, in the event any well did not produce for the full said six month period, the production for any full month or months within such period that the well actually produced multiplied by the ratio of six (6) divided by the number of full months of actual production shall be the current rate.

The current rate for any well completed after October 31, 1966 and prior to the effective date of this unit that has produced San Andres oil shall be calculated on the same basis as set out above; however, for such well the production shall be witnessed and reported by having the daily production gauged by a consultant Registered

Professional Engineer of the State of New Mexico and witnessed by a representative of the New Mexico Oil Conservation Commission.

(r) "Productive Acres" for each tract is shown on the schedule attached hereto as Exhibit "B".

(s) "Tract Ultimate Primary Reserves" is defined as the cumulative oil produced from each tract plus the remaining primary oil reserves from said tract.

(t) "Tract Remaining Primary Reserves" is defined as each tract's percentage of current rate multiplied by the number of barrels as defined in Section 2(o).

(u) "Tract Cumulative Production" is defined as the total amount of San Andres oil produced from February 24, 1966, as reported on the Operator's Monthly Production Reports, Form C-115, on file with the New Mexico Oil Conservation Commission through the effective date of the unit.

3. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

Township 9 South, Range 33 East, N.M.P.M.

Section 15 - W1/2W1/2	Section 27 - W1/2NW1/4
Section 16 - All	Section 28 - N1/2, SW1/4, W1/2SE1/4
Section 17 - All	Section 29 - E1/2, E1/2W1/2
Section 20 - E1/2, E1/2NW1/4	Section 32 - NE1/4, E1/2NW1/4
Section 21 - All	Section 33 - W1/2NW1/4
Section 22 - W1/2W1/2	

containing 4,080 acres, more or less.

Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the unit area and the boundaries and identity of tracts and leases in said unit area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, the acreage in each tract deemed productive, percentage of ownership of each Working Interest Owner in each tract and the percentage of participation each tract has in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than six copies thereof shall be filed with the Supervisor.

The above described unit area may, when practicable, be amended to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

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

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise), if 90 per cent of the Working Interest Owners (on the basis of unit participation during Phase II) have agreed to such tract or tracts being brought into the unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Commissioner, the Director, each Working Interest Owner (mailing a copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 per cent of the Working Interest Owners have been filed thereto, with the Commissioner, Director and the Commission the following: (a) comprehensive statement as to mailing such notice of expansion; (b) an application for such expansion; and (c) an instrument containing the appropriate joinders in compliance with the participation requirements of Section 12, *infra*.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date prescribed in the notice thereof or on such other date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion.

4. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to this agreement as to the Flying "M" - San Andres formation as defined under "Unitized Formation" shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement." All oil and gas in or produced from said Unitized Formation of the "Unitized Land" are unitized under the terms of this agreement and herein are called "Unitized Substances." Surface rights of ingress and egress shall be maintained for the benefit of the unit.

Nothing herein shall be construed to unitize, pool or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

5. UNIT OPERATOR. Coastal States Gas Producing Company with offices at Corpus Christi, Texas, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

6. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of ninety (90) days after notice of intention to resign has been served by Unit Operator on all Working Interest Owners, the Commissioner and the Director, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor and Commissioner, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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 or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books and records, materials, appurtenances and any other assets used in conducting the unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the unit area) to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

7. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by Working Interest Owners, the owners of the working interests, voting according to their respective participating interests in all unitized land, shall by majority vote select a successor Unit Operator. Provided, That, if a majority or in excess thereof of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional Working Interest Owner shall be required to select a new Unit Operator. Such selection shall not become effective until:

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

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

8. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with

their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement this Unit Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor prior to approval of this agreement.

9. 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 said Unit Operator, and together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in his capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

10. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that a large percentage of the land subject to this agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a pressure maintenance and secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Commission and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any

other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rate of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of pressure maintenance and secondary recovery operations, Unit Operator shall furnish the Commission, the Commissioner, and the Supervisor monthly injection and production reports for each well in the unit. The Working Interest Owners, the Supervisor, the Commission, and the Commissioner shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, the Commission and the Commissioner.

The initial plan of operation shall be filed with the Supervisor, the Commission and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor, the Commission and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approval plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence pressure maintenance and secondary recovery operations on the unit area within six (6) months after the effective date of this agreement, or any extension thereof approved by the Commission, the Commissioners and the Director, or this agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

11. TRACT PARTICIPATION. The last page of Exhibit "B" attached hereto shows the percentage of participation allocated to each tract in the unit area during Phase I and during Phase II, as defined in subsections (o) and (p) specifically of Section 2 hereof. The formula as used for the calculations of such percentages of participation are as follows:

(a) Phase I participation of each tract, beginning at 7:00 a.m. on the effective date hereof and until 7:00 a.m. on the first day of the month next following the date when cumulative oil production from all of the tracts described in Exhibit "B" from the Unitized Formation subsequent to 7:00 a.m. February 24, 1964 equals 3,000,000 barrels, shall be equal to seventy-five per cent (75%) of the ratio of the current rate of production of Unitized Substances from each tract to the total current rate of production of Unitized Substances from all such tracts plus twenty-five per cent (25%) of the ratio of the productive acreage of each tract to the total productive acreage of all such tracts.

(b) Phase II participation of each tract beginning at 7:00 a.m. on the first day of the month following the date when the 3,000,000 barrels referred to above shall have been produced, shall be equal to seventy-five per cent (75%) of the ratio of the ultimate primary production from each of such tracts, to the total ultimate primary production of all such tracts plus twenty-five per cent (25%) of the ratio of the productive acreage of each tract to the total productive acreage of all such tracts.

The percentages of participation set forth opposite each tract on the last page of Exhibit "B" were calculated on the basis of 100% tract commitment. If the Unit Agreement is approved with less than 100% tract commitment, said percentages of participation shall be revised to reflect the commitment status as of the effective date hereof, and thereafter, as needed, pursuant to Section 13 (Allocation of Unitized Substances).

12. TRACTS QUALIFIED FOR UNIT PARTICIPATION. On and after the effective date hereof the tracts within the unit area which shall be entitled to participation (as provided in Section 11 hereof) in the production of Unitized Substances therefrom shall be those tracts within the unit area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the working interest in said tract and royalty owners owning 100% of the royalty interest in said tract have subscribed, ratified or consented to this agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the working interest therein and royalty owners owning not less than 75% of the royalty interest therein have executed this agreement, and in which the Working Interest Owners in said tract who have executed this agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a) against any and all claims and demands that may be made by the nonjoining Working Interest Owners or royalty owners, or both, on account of the commitment and joinder of such tract to the unit agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a) exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this unit agreement.

If, on the effective date of this agreement, there is any tract or tracts which have not been effectively committed to or made subject to this agreement by qualifying as above provided, then such tract or tracts shall not be entitled to

participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Commissioner and the Director, file therewith a schedule of those tracts which have been committed and made subject to this agreement and are entitled to participate in the production from the unit area hereunder. Said schedule shall set forth opposite each such committed tract the lease number and assignment number, the owner of record of the lease, and the percentage of participation of such tract which shall be computed according to the participation formula set out in Section 11 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval thereof by the Commissioner and the Director shall become a part of this agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Director.

13. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the unit area in accordance with the respective tract participations then effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes be deemed to have been produced from such tract.

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

No tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed

as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the working interest and the royalty interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the division of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the unit area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 14 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the unit area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the unit area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the unitized substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty on the lease or leases and tracts contributed by it and

received into the unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this agreement there is any tract or tracts that are subsequently committed hereto as provided in Section 3 (Unit Area) hereof, or any tract or tracts within the unit area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 31 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the unit area as provided for in Section 28 (Loss of Title), the schedule of participation as shown in Exhibit "B", subject to Section 11 (Tract Participation) or Section 31 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Commissioner and the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Commissioner and the Director.

Unit Operator may use as much of the Unitized Substances as it may reasonably deem necessary for the operation and development of the unit area, including but not limited to the injection of Unitized Substances into the formation.

No royalty shall be payable upon or with respect to Unitized Substances used or consumed in the operation or development of the unit area or which may be otherwise lost or consumed in the production, handling, treating, transportation or storing of Unitized Substances.

14. ROYALTY SETTLEMENT. The State of New Mexico and the United States of America and all royalty owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances

produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalty due under their leases, except that such royalty shall be computed in accordance with the terms of this unit agreement.

If gas, or any other substance, obtained from lands not subject to this agreement, is introduced into the Unitized Formation for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 10 (Plan of Operations), a like amount of gas or such other substance, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, royalty free as to dry gas or such other substance but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the unit agreement.

All royalty due the State of New Mexico and the United States of America and the other royalty owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each royalty owner (other than the State of New Mexico and the United States of America) that executes this agreement represents and warrants that it is the owner of a royalty interest in a tract or tracts within the unit area as its interest appears in Exhibit "B" attached hereto. If any royalty interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this agreement, then the royalty interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

15. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this agreement shall be paid

at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this agreement.

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 operations 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 and the Commissioner, respectively, shall and by their approval hereof, do 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.

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 part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling, producing or secondary recovery operations performed hereunder upon any tract of unitized lands shall 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 land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner and the Supervisor or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

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

(e) The segregation of any Federal lease committed to this agreement is governed by the following provisions in the fourth paragraph of Section 17(j) of said Act of February 25, 1920, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease hereafter committed to any such plan (unit) 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."

(f) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall be segregated as to that portion committed and that not committed, and the term of such lease shall apply separately to such segregated portions commencing as of the effective date thereof. Provided, however, that notwithstanding any of the provisions of this agreement to the contrary, such lease 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, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this agreement or, so long as a portion of the Unitized Substances produced from the unit area is, under the terms of this agreement, allocated to the portion of the lands covered by such lease committed to this agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are 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. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement upon approval of the Commissioner, the Supervisor and the Working Interest Owners.

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

hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original or acceptable photostatic or certified copy of the recorded instrument of transfer.

21. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the Commissioner or their duly authorized representatives and by the Commission as of the date of approval by the Director, provided:

This agreement and the unit operating agreement have been executed or ratified by Working Interest Owners owning a combined unit participation during Phase I of at least 90% and the execution and ratification of this agreement by royalty owners owning a combined interest of at least 75% of the royalty interest in said unit area.

If the foregoing is not accomplished on or before July 1, 1967 this agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined unit participation during Phase I of at least ninety per cent (90%), and the Working Interest Owners owning a combined unit participation during Phase I of at least ninety per cent (90%) committed to this agreement have decided to extend said termination date for a period not to exceed six (6) months (hereinafter called "extended termination date"). If said termination date is so extended and execution, ratification and approval are not accomplished on or before said extended termination date, this agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect. For the purpose of this section, ownership shall be computed on the basis of unit participation as determined from Exhibit "B" attached hereto.

Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date and the location of the governmental agency offices where copies of this agreement are filed.

The term of this agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the unit area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days,

unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This agreement may be terminated with the approval of the Commissioner and the Director by Working Interest Owners owning ninety per cent (90%) unit participation during Phase II whenever such Working Interest Owners determine that unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this agreement, the further development and operation of the unit area as a unit shall be abandoned, unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with unit operations.

22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director and the Commissioner are hereby vested with authority to alter or modify from time to time, at their discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

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

23. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246, as amended, (30 F.R. 12319),

which are hereby incorporated by reference in this agreement.

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

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

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the United States or of the State of New Mexico or rules 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.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this agreement and the true owner cannot be induced to join 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 as to any royalty, working interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), 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.

29. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

30. BORDER AGREEMENTS. Subject to the approval of the Director and the Commissioner, the Unit Operator, with concurrence of sixty-five per cent (65%) of

the Working Interest Owners, based upon the percentages of participation during Phase II, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the unit area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

31. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe, ratify or consent in writing to this agreement, the Working Interest Owner in that tract who has executed or ratified this agreement may withdraw said tract from this agreement by written notice to the Director, the Commissioner and Unit Operator prior to the effective date of this agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to 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 such interest to be regarded as effectively committed to this unit agreement.

Any oil or gas interest in the lands in the unit area not committed hereto prior to submission of this agreement to the Commissioner and the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this section and of Section 12 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including three (3) months thereafter, on the same basis of participation as provided in said Section 12 by the owner or owners thereof subscribing, ratifying, or consenting in writing to this agreement and, if the interest is a working interest, by the owner of such interest subscribing also to the Unit Operating Agreement; provided, however, that the current rate for any well on any tract committed within the said three month period shall be determined as though such well were completed during the period after October 31, 1966 and prior to the effective date of the unit as defined in Section 2(q).

It is understood and agreed, however, that from and after three (3) months from the effective date hereof the right of subsequent joinder as provided in this section shall be subject to such requirements or approval and on such basis as may be agreed upon by ninety per cent (90%) of the Working Interest Owners (based upon

the percentage of participation during Phase II). Such subsequent joinder by a Working Interest Owner must be evidenced by his execution or ratification of this agreement and the Unit Operating Agreement. Such subsequent joinder by a royalty owner must be evidenced by his execution, ratification or consent of this agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such royalty owner. Except as may be otherwise herein provided, subsequent joinder to this agreement shall be effective at 7:00 o'clock a.m. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this agreement, unless objection to such joinder by the Commissioner or the Director is duly made within sixty (60) days after such filing.

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, or any operations conducted hereunder shall create or be deemed to create a partnership or association between the parties hereto or any of them.

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

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

ATTEST:

Assistant Secretary

COASTAL STATES GAS PRODUCING COMPANY

By _____
Vice President

Address: _____

UNIT OPERATOR AND WORKING INTEREST OWNER

WORKING INTEREST OWNERS

ATTEST:

AMARILLO OIL COMPANY

Secretary

By: _____

Date: _____

Address: _____

ATTEST:

SOUTHLAND ROYALTY COMPANY

Secretary

By: _____

Date: _____

Address: _____

ATTEST:

SIPANAM, INC.

Secretary

By: _____

Date: _____

Address: _____

Date: _____

Dr. Gerhard Wagner

Address: _____

Date: _____

J. H. Herd

Address: _____

Date: _____

Mr. R. M. Richardson

Address: _____

ROYALTY OWNERS

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

Date: _____

Address: _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____ 1967 by _____, _____ of Amarillo Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____ 1967 by _____, _____ of Southland Royalty Company, a _____ corporation, on behalf of said corporation.

Notary Public

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____ 1967 by _____, _____ of Sipanam, Inc., a _____ corporation, on behalf of said corporation.

Notary Public

STATE OF _____
COUNTY OF _____

On this the ____ day of _____, 1967, before me, appeared Dr. Gerhard Wagner, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

STATE OF _____

COUNTY OF _____

On this the _____ day of _____, 1967, before me, appeared J. H. Herd, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

STATE OF _____

COUNTY OF _____

On this the _____ day of _____, 1967, before me, appeared R. M. Richardson, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

STATE OF _____

COUNTY OF _____

On this the _____ day of _____, 1967, before me, appeared C. H. Atchison, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said Coastal States Gas Producing Company, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

EXHIBIT "B"
FLYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Basic Royalty	Lessee of Record	Overriding Royalty		Working Interest	Productive Acres	Percent of Participation of Tract in Unit	
							Owner and Amount	Owner and Amount			Phase I	Phase II
FEDERAL ACREAGE												
1a	E/2 of Sec. 29, T9S, R33E	320	4	NM-058102 HBP	USA 12.5	Coastal States Gas Prod. Co.	Isabel Q. Gonzales Elizabeth Villa	.02500000 .02500000	Coastal States Sipanam, Inc.	75.00% 25.00%	320.000	8.0837 7.395
1b	W/2, NW/4 of Sec. 33, T9S, R33E	80	0	NM-058102 HBP	USA 12.5	Coastal States Gas Prod. Co.	Elizabeth Villa Garrett R. Quintana	.02500000 .02500000	Coastal States Sipanam, Inc.	75.00% 25.00%	24.007	.1751 .175
2	W/2 NW/4 Sec. 27, T9S, R33E	80	0	NM-058102 HBP	USA 12.5	Chas. B. Consales	None		Chas. B. Consales	100%	7.381	.0538 .053
(Three Federal tracts containing 480 acres or 11.765% of the Unit Area)												
STATE ACREAGE												
3	W/2 of Sec. 17, T9S, R33E	320	3	OG-581-2 HBP	State 12.5	Coastal States Gas Prod. Co.	None		Coastal States G. Wagner	75.00% 25.00%	224.498	5.6359 6.131
4	E/2 of Sec. 17, T9S, R33E	320	3	OG-670-1 HBP	State 12.5	Coastal States Gas Prod. Co.	None		Coastal States G. Wagner	75.00% 25.00%	316.273	5.8884 7.081
5	W/2 of NW/4, SW/4 of NE/4 Sec. 16, T9S, R33E	120	3	K-2129-1 HBP	State 12.5	Redfern Dev. Corp.	J. H. Herd Wm. B. Johnston Rosalind Redfern Redfern Dev. Corp. Jack Thornton	.02000000 .00125000 .03000000 .01000000 .00125000	Coastal States Sipanam, Inc.	75.00% 25.00%	113.604	3.6617 3.986
6	SE/4 of NW/4 Sec. 16, T9S, R33E	40	1	K-2129-1 HBP	State 12.5	Redfern Dev. Corp.	John J. Redfern Redfern Dev. Corp. Jack D. Thornton Wm. B. Johnston J. H. Herd	.03000000 .01000000 .00125000 .00125000 .04000000	Coastal States Sipanam, Inc. Amarillo Oil	51.00% 17.00% 32.00%	140.000	.7395 .724

EXHIBIT "B"
FLYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount		Working Interest Owner and Amount		Productive Acres	Percent of Participation in Tract in Phase I	
								Amount		Amount		Phase I	Phase II
7	NE 1/4 of NW 1/4 NW 1/4 of NE 1/4 E 1/2 of NE 1/4 Sec. 16, T9S, R33E	160	0	K-2129-1 HBP	State 12.5	Redfern Dev. Corp.	Rosalind Redfern Wm. B. Johnston Jack D. Thornton Redfern Dev. Corp.	.03000000 .00125000 .00125000 .01000000	Coastal States Sipanam, Inc. J. H. Herd	51.00% 17.00% 32.00%	81.457	.5939	.5
8	E 1/2 of SE 1/4 E 1/2 of SW 1/4 Sec. 16, T9S, R33E	160	1	OG-494-3 HBP	State 12.5	Coastal States Gas Prod. Co.	James P. Exum Neil A. McConnell *Franklin Bauldwin Bernard Peyton John C. Ryan Trice Production Suspense Arthur D. Dana, Jr.	.00023438 .00031250 .00031250 .00062500 .01562500 .02945312 .01451250 .00031250	Coastal States G. Wagner	75.00% 25.00%	160.000	3.2672	3.8
9a	W 1/2 of SE 1/4 Sec. 16, T9S, R33E	80	1	OG-494-1 HBP	State 12.5	Coastal States Gas Prod. Co.	Southern Minerals Corp.	.17500000	Coastal States Sipanam, Inc.	75.00% 25.00%	80.000	4.0082	3.65
9b	W 1/2 of SW 1/4 Sec. 16, T9S, R33E	80	2	OG-494-4	State 12.5	Coastal States Gas Prod. Co.	Southern Minerals Corp.	.17500000	Coastal States Sipanam, Inc.	75.00% 25.00%	80.000	4.9031	4.80
10	W 1/2 of NW 1/4 Sec. 15, T9S, R33E	80	0	OG-1981-3 HBP	State 12.5	Coastal States Gas Prod. Co.	John C. Ryan Disputed Owner- ship Suspense	.01562500 .01451250	Coastal States Sipanam, Inc.	73.50% 24.50% 2.00%	9.571	.0698	.06
11	W 1/2 of SW 1/4 Sec. 15, T9S, R33E	80	0	OG-3798-3 5-20-68	State 12.5	Coastal States Gas Prod. Co.	Southern Minerals Corp.	.17500000	Coastal States Sipanam, Inc.	75.00% 25.00%	42.986	.3134	.31

EXHIBIT "B"
 FLYING "M" SAN ANDRES
 LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation	
									Producible Acres	of Tract in Unit Phase I Phase II
13	NW/4, Sec. 21, E/3/4 of N/2 of Sec. 20, T9S, R33E	400	5	E-7392-1 HBP	State 12.5	Coastal States Gas Prod. Co.	Skelly Oil Co. .05468751	Coastal States 75.00% G. Wagner 25.00%	393.970	14.6750 16.7423
15	SE/4 of Sec. 20, T9S, R33E	160	3	OG-1294 HBP	State 12.5	Sinclair Oil & Gas Co.	Sinclair Oil & Gas .12500000	Coastal States 75.00% Sipanam, Inc. 25.00%	160.000	3.5556 3.5450
14	E/2 of SE/4 W/2 of NE/4 E/2 of SW/4 Sec. 21, T9S, R33E	240	3	OG-5083-2 HBP	State 12.5	Coastal States Gas Prod. Co.	James P. Exum Neil A. McConnell *Franklin Bauldwin Bernard Peyton John C. Ryan Trice Production Suspense Arthur D. Dana, Jr. .00023438 .00031250 .00031250 .00062500 .01562500 .02945312 .01451250 .00031250	Coastal States 75.00% G. Wagner 25.00%	240.000	7.0226 7.6441
15	E/2 of NE/4 W/2 of SW/4 N/2 of SE/4 Sec. 21, T9S, R33E	240	3	OG-5083-4 HBP	State 12.5	Coastal States Gas Prod. Co.	Southern Minerals Corp. .17500000	Coastal States 75.00% Sipanam, Inc. 25.00%	240.000	8.9219 9.0550
16	SW/4 NW/4 Sec. 22, T9S, R33E	40	0	OG-5789 8-18-69	State 12.5	Murphy Oil Corp.	None	Murphy Corp. 100%	30.942	.2255 .2255
17	N/2 SW/4 Sec. 22, T9S, R33E	80	1	E-7481-3 HBP	State 12.5	Louisiana Land & Exploration Co.	Louisiana Land & Exploration Co. .09500000	Coastal States 75.00% Sipanam, Inc. 25.00%	66.872	2.2625 1.6626

EXHIBIT "B"
FLYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No of Acres	No. of Wells	Serial No. & Expiration Date	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Producible Acres	Percent of Participation of Tract in Unit	
										Phase I	Phase II
18	E/2 NW/4 Sec. 32 T9S, R33E	80	1	OC-1826-2 HBP	State 12.5	Coastal States Gas Oil Co. Prod. Co.	Warren American	Coastal States 75.00% Sipanam, Inc. 25.00%	76.199	.9284	1.015
19	NE/4 of Sec. 32, T9S, R33E	160	1	E-7481-2 HBP	State 12.5	Coastal States Gas & Exploration Co. Prod. Co.	Louisiana Land	Coastal States 75.00% Sipanam, Inc. 25.00%	125.917	1.2484	1.310

(Eighteen State tracts containing 2,840 acres of 69.608% of the Unit Area)

FEE ACREAGE

20	NW/4 NW/4 of Sec. 22, T9S, R33E	40	0	Joe C. Ainsworth	Fee 12.5	Unleased	None	Joe C. Ainsworth	27.657	.2017	.201
21	E/2 of NW/4 Sec. 29, T9S, R33E	80	1	J. R. McGuffin HBP	Fee 12.5	Coastal States Gas Prod. Co.	Len Mayer	Coastal States 75.00% G. Wagner 25.00%	66.345	4.7731	3.324
22	E/2 of SW/4 Sec. 29, T9S, R33E	80	0	Nancy Trow 5-24-68	Fee 12.5	Coastal States Gas Prod. Co.	Len Mayer	Coastal States 73.06% Sipanam, Inc. 24.36% R.M. Richardson 2.58%	80.000	.5834	.583
23	W/2 of Sec. 28, T9S, R33E	320	3	F. A. Schultz HBP	Fee 12.5	Coastal States Gas Prod. Co.	Midwest Oil	Coastal States 75.00% Sipanam, Inc. 25.00%	291.374	12.4724	11.481
24	NE/4 Sec. 28, T9S, R33E	160	1	Grady Ferguson HBP	Fee 12.5	Southland Royalty	None	Southland Royalty 100%	115.405	5.6338	4.284
25	W/2 SE/4 of Sec. 28, T9S, R33E	80	0	O.D. McCoy 8-9-67	Fee 12.5	Southland Royalty	None	Southland Royalty 100%	14.000	.1020	.102

(Six Fee tracts containing 760 acres or 18.627% of the Unit Area)

3,428.458

REVISED 10-1-67

EXHIBIT "B"
FLYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Complete Basic Royalty Ownership & % ages		Lessee of Record	Overriding Royalty Owner and Amount		Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract in Unit Phase I Phase II	
FEDERAL ACREAGE													
1a	E/2 of Sec. 29, T9S, R33E	320	4	NM-058102 HBP	USA 12.5%		Coastal Isabel Q. Gonzales States Gas Elizabeth Villa Prod. Co.	.02500000 .02500000		Coastal States 75.00% Sipanam, Inc. 25.00%	320.00	8.6601	7.8857
1b	W/2, NW/4 of Sec. 33, T9S, R33E	80	0	NM-058102 HBP	USA 12.5%		Coastal Elizabeth Villa States Gas Chas. B. Gonsales Prod. Co.	.02500000 .02500000		Coastal States 75.00% Sipanam, Inc. 25.00%	24.007	0.1908	0.1935
2	W/2 NW/4 Sec. 27, T9S, R33E	80	0	NM-058102-A HBP	USA 12.5%		Chas. B. Gonsales	None		Chas. B. Gonsales 100%	7.381		Not Committed
29	W/2 SW/4 Sec. 27, T9S, R33E	80	0	NM-2510 HBP	USA 12.5%		Coastal Elizabeth Villa States Gas Chas. B. Gonsales Prod. Co.	.02500000 .02500000		Coastal States 75.00% Sipanam, Inc. 25.00%	0	0	0
(Four Federal tracts containing 560 acres or 13.208% of the Unit Area)													
STATE ACREAGE													
3	W/2 of Sec. 17, T9S, R33E	320	2	OG-581-2 HBP	State 12.5%		Coastal States Gas Prod. Co.	None		Coastal States 75.00% G. Wagner 25.00%	224.498	6.0380	6.5302

REVISED 10-1-67

EXHIBIT "B"
FLYING "W" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Complete Basic		Lessee of Record	Overriding Royalty		Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract In Unit	
					Royalty	% ages		Owner and Amount				Phase I	Phase II
4	E/2 of Sec. 17, T9S, R33E	320	4	OG-670-1 HBP	State 12.5%		Coastal States Gas Prod. Co.	None		Coastal States 75.00% G. Wagner 25.00%	316.273	7.8763	8.3443
5	W/2 of NW/4, SW/4 of NE/4, Sec. 16, T9S, R33E	120	3	K-2129-1 HBP	State 12.5%		Redfern Dev. Corp.	J. H. Herd Wm. B. Johnston Rosalind Redfern Jack Thornton Redfern Dev. Corp.	.02000000 .00125000 .03000000 .00125000 .01000000	Coastal States 75.00% Sipanum, Inc. 25.00%	113.604	3.9168	4.2529
6	SE/4 of NW/4, Sec. 16, T9S, R33E	40	1	K-2129-1 HBP	State 12.5%		Redfern Dev. Corp.	John J. Redfern Redfern Dev. Corp. Jack D. Thornton Wm. B. Johnston J. H. Herd	.03000000 .01000000 .00125000 .00125000 .04000000	Coastal States 51.00% G. Wagner 17.00% Amarillo Oil 32.00%	40.00	0.7943	0.7715
7	NE/4 of NW/4, NW/4 of NE/4, E/2 of NE/4, Sec. 16, T9S, R33E	160	0	K-2129-1 HBP	State 12.5%		Redfern Dev. Corp.	Rosalind Redfern Wm. B. Johnston Jack D. Thornton Redfern Dev. Corp.	.03000000 .00125000 .00125000 .01000000	Coastal States 51.00% Sipanum, Inc. 17.00% J. H. Herd 32.00%	81.457	0.6475	0.6475

EXHIBIT "B"
 ELLING "24" SAN ANDREAS
 LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Royalty Ownership & %	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract in Unit	
										Phase I	Phase II
3	E/2 of SE/4 E/2 of SW/4 Sec. 16, T9S, R33E	160	1	OG-494-3 HBP	State 12.5%	Coastal States Gas Prod. Co.	James P. Exum Neil A. McConnell Citizens First Nat'l Bank, Tyler, Texas, Trustee Bernard Peyton John C. Ryan Trice Production Title Undetermined Arthur D. Dana, Jr.	.00023438 .00031250	Coastal States G. Wagner	75.00% 25.00%	160.00 3.5061 4.0822
9	W/2 of SE/4 Sec. 16, T9S, R33E	80	1	OG-494-1 HBP	State 12.5%	Coastal States Gas Prod. Co.	Southern Minerals Corp.	.17500000	Coastal States Sipanam, Inc.	75.00% 25.00%	80.00 4.2790 3.9734
10	W/2 of SW/4 Sec. 16, T9S R33E	80	2	OG-494-4	State 12.5%	Coastal States Gas Prod. Co.	Southern Minerals Corp.	.17500000	Coastal States Sipanam, Inc.	75.00% 25.00%	80.000 5.2309 5.0688
11	W/2 of NW/4 Sec. 15, T9S, R33E	80	0	OG-1981-3 HBP	State 12.5%	Coastal States Gas Prod. Co.	John C. Ryan Disputed Owner- ship Suspense	.01562500 .01451250	Coastal States Sipanam, Inc.	73.50% 24.50% 2.00%	9.571 0.0761 0.0761

REVISED 10-1-67

EXHIBIT "B"
FIXING "N" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Complete Basic		Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract in Unit	
					Royalty & % ages						Phase I	Phase II
12	W/2 of SW/4 Sec. 15, T9S, R33E	80	0	OG-3798-3 5-20-68	State 12.5%		Coastal States Gas Minerals Corp. Prod. Co.	.17500000	Coastal States 75.00% Sipanum, Inc. 25.00%	42.986	0.3417	0.3417
13	NE/4 Sec. 21, NE/4, E/2 NE/4 Sec. 20, T9S, R33E	400	5	E-7392-1 HBP	State 12.5%		Coastal States Gas Prod. Co.	.05468751	Coastal States 75.00% G. Wagner 25.00%	393.970	15.6858	17.7595
14	SE/4 of Sec. 20, T9S, R33E	160	3	OG-1294 HBP	State 12.5%		Sinclair Oil & Gas	.12500000	Coastal States 75.00% Sipanum, Inc. 25.00%	160.000	3.8129	3.7765
15	E/2 of SE/4 W/2 of NE/4 W/2 of SW/4 Sec. 21, T9S, R33E	240	3	OG-5083-2 HBP	State 12.5%		Coastal States Gas Prod. Co.	.00023438 .00031250	Coastal States 75.00% G. Wagner 25.00%	240.00	12.0019	10.7568
							James P. Exum Neil A. McConnell Citizens First Nat'l Bank, Tyler, Texas, Trustee	.00031250				
							Bernard Peyton John G. Ryan	.00062500 .01562500				
							Trice Production Title Undetermined	.02945312 .01451250				
							Arthur D. Dana, Jr.	.00031250				

REVISED 10-1-67

EXHIBIT "B"
FLYING "H" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Complete Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract in Unit	
					& % ages					Phase I	Phase II
16	E/2 of NE/4 Sec. 21, T9S, R33E	80	1	OG-5083-4 HBP	State 12.5%	Coastal States Gas Minerals Corp. Prod. Co.	.17500000	Coastal States 75.00% Sipanum, Inc. 25.00%	80.000	2.5881	2.0110
17	W/2 of SW/4 W/2 of SE/4 Sec. 21, T9S, R33E	160	3	OG-5083-3	State 12.5%	Coastal States Gas Minerals Corp. Prod. Co.	.17500000	Coastal States 75.00% Sipanum, Inc. 25.00%	160.00	6.9485	7.4109
18	SW/4 NW/4 Sec. 22, T9S, R33E	40	0	OG-5789 8-18-69	State 12.5%	Murphy Oil Corp.	None	Murphy Corp. 100%	30.942	0.2459	0.2459
19	W/2 SW/4 Sec. 22, T9S, R33E	80	1	E-7481-3 HBP	State 12.5%	Louisiana Land & Exploration Co.	.09500000	Coastal States 75.00% Sipanum, Inc. 25.00%	66.872	1.2622	0.9713
20	E/2 NW/4 Sec. 32, T9S, R33E	80	1	OG-1826-2 HBP	State 12.5%	Coastal States Gas Prod. Co.	.12500000	Coastal States 75.00% Sipanum, Inc. 25.00%	76.159	1.0022	1.0938
21	NE/4 of Sec. 32, T9S, R33E	160	1	E-7481-2 HBP	State 12.5%	Coastal States Gas & Exploration Co. Prod. Co.	.12500000	Coastal States 75.00% Sipanum, Inc. 25.00%	125.917	1.3530	1.4146

(Nineteen State Tracts containing 2,840 acres or 66.981% of the Unit Area)

REVISED 10-1-67

EXHIBIT "B"
LEYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Complete Basic		Serial No. & Expiration Date	Royalty Ownership & % ages	Lessee of Record	FREE ACREAGE		Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract in Unit	
														Phase I	Phase II
22	NW/4 NW/4 of Sec. 22, T9S, R33E	40	0	Fee	Alton Ainsworth	Coastal States Gas	4.6875000%	Joe C. Ainsworth Prod. Co. Jr.	None	Coastal States 75.00%, Sipanum, Inc. 25.00%	27.657	0.2198	0.2198		
23	E/2 of NW/4 Sec. 29, T9S, R33E	80	1	Fee IRRP	Margaret McGuiffin et vir John R.	Coastal States Gas Prod. Co.	06.2500000%	Ien Mayer	.030000000	Coastal States 75.00%, G. Wagner 25.00%	66.345	Not Committed			
					R. Edward Mann		03.1250000%								
					Bess Yearwood		01.1750000%								
					Edward A. Elkan		00.2437500%								
					Clara A. Elkan		01.2187500%								
					Harold Alston Elkan		00.2437500%								
					Edward Armstrong Elkan, Jr.		00.2437500%								

REVISED 10-1-67

EXHIBIT "B"

FLYING "N" SAN ANDRES

LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Complete Basic		Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract in Unit Phase I Phase II
					Royalty & % ages	Ownership					
24	E/2 of SW/4 Sec. 29, T9S, R33E	80	1	Fee 5-24-68	N.D. Bryant 04.166667%	Coastal States Gas Prod. Co.	Len Mayer	.03000000	Coastal States 73.06% G. Wagner 24.36% R.M. Richardson 2.58%	80.000	Not Committed
					Nancy Trow 02.083333%						
					Mary O. Hockin 01.116071%						
					Willie A. Fisher 00.161210%						
					Wesley R. Fisher 00.161210%						
					Ernest E. Fisher 00.161210%						
					Joe W. Fisher 00.161210%						
					Myrtle Fisher Morrow 00.595239%						
					James A. Fisher, Jr. 00.744048%						
					Wanda Fisher McWhorter 00.744048%						
					Reba Annie Fisher 01.116071%						
					Robert W. Fisher 00.322421%						
					Aubrey Lee Fisher 00.322421%						
					Judy Ann Fisher 00.322421%						

REVISED 10-1-67

EXHIBIT "B"
FLYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

ct	Description of Land	No. of Acres	No. of Wells	Serial No. & Expiration Date	Complete Basic		Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Productive Acres	Percent of Participation of Tract In Unit	
					Royalty & % ages	Ownership					Phase I	Phase II
25	W/2 of Sec. 28, T9S, R33E	320	4	Fee HBP	I.L. & E. 09.375000% Frank A. Schultz 02.734375% A. A. Werlla 00.097656% Mary McCulley 00.097656% Frances Caudle 00.097657% William L. Peters 00.097656%	Coastal States Gas Prod. Co.	Midwest Oil	.01367187	Coastal States G. Wagner	75.00% 25.00%	291.374	13.3231 12.1721
26	NE/4 Sec. 28, T9S, R33E	160	1	Fee HBP	Grady Ferguson	Southland Royalty	12.5%	None	Southland Royalty	100%	115.405	Not Committed

REVISED 10-1-67

EXHIBIT "B"
FLYING "M" SAN ANDRES
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	No. of Wells	Serial No. & Expira- tion Date	Complete Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Produc- tive Acres	Percent of Participation of Tract In Unit	
					& % ages					Phase I	Phase I
27	W/2 SE/4 of Sec. 28 T9S, R33E	80	1	Fee 8-9-67	O. D. McCoy 12.5%	Southland Royalty	None	Southland Royalty 100%	14.000	Not Committed	
28	E/2 SE/4 Sec. 28 T9S, R33E	80	0	Fee HBP	O. D. McCoy 12.5%	Southland Royalty	None	Southland Royalty 100%	0	Not Committed	

(Seven Fee Tracts containing 840 acres of 19.811% of the Unit Area)

GRAND TOTAL 4,240 acres in entire Unit Area.