

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTH HOSPAH UNIT AREA
MCKINLEY COUNTY, NEW MEXICO

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BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION

CASE NO. _____

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTH HOSPAH UNIT AREA
COUNTY OF MCKINLEY
STATE OF NEW MEXICO

1. THIS AGREEMENT, entered into as of the 26 day of July,
2. 1968, by and between the parties subscribing, ratifying or consenting
3. hereto, and herein referred to as "parties hereto,"

W I T N E S S E T H, T H A T:

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

6. WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,
7. as amended, 30 U.S.C. Secs. 181 et seq., authorized Federal lessees and
8. their representatives to unit with each other, or jointly or separately
9. with others, in collectively adopting and operating a cooperative or unit
10. plan of development or operation of any oil or gas pool, field or like
11. area, or any part thereof for the purpose of more properly conserving the
12. natural resources thereof whenever determined and certified by the Secre-
13. tary of the Interior to be necessary or advisable in the public interest;
14. and

15. WHEREAS, the Oil Conservation Commission of the State of New Mexico
16. is authorized by law (Article 1, Chapter 65, Volume 9, Part 2, 1953, New
17. Mexico Statutes Annotated), to approve this Agreement and the conservation
18. provisions hereof; and

19. WHEREAS, it is the purpose of the parties hereto to enable the
20. institution and consummation of secondary recovery operations, to conserve
21. natural resources, prevent waste, and secure other benefits obtainable
22. through development and operation of the Area subject to this Agreement
23. under the terms, conditions and limitations herein set forth;

24. NOW THEREFORE, in consideration of the premises and the promises
25. herein contained, the parties hereto commit to this Agreement their
26. respective interests in the below-defined Unit Area, and agree severally
27. among themselves as follows:

ARTICLE I.

ENABLING ACT AND REGULATIONS

1. The Mineral Leasing Act of February 25, 1920, as amended, supra,
2. and all valid pertinent regulations, including operating and unit plan
3. regulations, heretofore issued thereunder and valid, pertinent, and
4. reasonable regulations hereafter issued thereunder are accepted and made
5. a part of this Agreement as to Federal lands, provided such regulations
6. are not inconsistent with the terms of this Agreement; and as to non-
7. Federal lands, if any, the oil and gas operating regulations in effect
8. as of the effective date hereof governing drilling and producing opera-
9. tions, not inconsistent with the terms hereof or the laws of the State in
10. which the non-Federal land is located, are hereby accepted and made a part
11. of this Agreement.

ARTICLE II.

DEFINITIONS

12. A. For the purpose of this Agreement, the following terms and
13. expressions as used herein shall mean:

14. 1. "Commission" is defined as the Oil Conservation Commission
15. of the State of New Mexico.

16. 2. "Director" is defined as the Director of the United
17. States Geological Survey.

18. 3. "Secretary" is defined as the Secretary of the Interior
19. of the United States of America.

20. 4. "Department" is defined as the Department of the Interior
21. of the United States of America.

22. 5. "Supervisor" is defined as the Oil and Gas Supervisor of
23. the United States Geological Survey for the Region in
24. in which the Unit Area is situated.

25. 6. "Unitized Formation" shall mean that subsurface portion
26. of the Unit Area commonly known as the Upper Hospah Sand,
27. and more specifically defined as that interval occurring
28. between the depths of One Thousand Six Hundred Fourteen
29. feet (1,614') and One Thousand Six Hundred Fifty-Four

1. feet (1,654') as shown on the Induction-Electric Log
2. of the Tenneco Oil Company's Hospah Well No. 12, located
3. Two Thousand Three Hundred and Ten feet (2,310') South
4. from the North Line and Nine Hundred Ninety feet (990')
5. East from the West Line of Section 12, Township 17 North,
6. Range 9 West, N.M.P.M., McKinley County, New Mexico.
7. 7. "Unitized Substances" means all oil, gas, gaseous sub-
8. stances, sulphur contained in gas, condensate, distillate
9. and all associated and constituent liquid or liquifiable
10. hydrocarbons within or produced from the Unitized Formation.
11. 8. "Tract" means each parcel of land shown as such and
12. given a tract number in Exhibit "A" and as described in
13. Exhibit "B".
14. 9. "Tract Participation" is defined as the percentage of
15. Participation as shown on Exhibit "C" for allocating
16. Unitized Substances to a Tract under this Agreement.
17. 10. "Unit Participation" as used herein shall mean the sum
18. of the Tract Participations as shown by Tracts for each
19. Working Interest Owner in Exhibit "C" to the Unit Agreement.
20. 11. "Working Interest" is defined as the right to search for,
21. produce and acquire Unitized Substances whether held as
22. an incident of ownership of mineral fee simple title,
23. under an oil and gas lease, or otherwise. Any interest
24. in Unitized Substances which is a Working Interest as of
25. the date the owner thereof executes or ratifies this
26. Agreement, or which at any time thereafter becomes a
27. Working Interest, shall thenceforth be treated as a
28. Working Interest for all purposes of this Agreement.
29. 12. "Working Interest Owner" is defined as and shall mean
30. any party hereto owning a Working Interest, including a
31. carried Working Interest Owner, holding an interest in
32. Unitized Substances by virtue of a lease, operating agree-
33. ment, fee title or otherwise, which interest is chargeable

1. with and obligated to pay or bear, either in cash
2. or out of production, or otherwise, all or a portion of
3. the cost of drilling, developing and producing the
4. Unitized Substances from the Unitized Formation and
5. operations thereof hereunder.
6. 13. "Royalty Interest" or "Royalty" is defined as an interest
7. other than a Working Interest in or right to receive a
8. portion of the Unitized Substances or the proceeds thereof
9. and includes the royalty interest reserved by the Lessor
10. in an oil and gas lease and any overriding royalty interest,
11. oil payment interest, net profits, contracts, or any other
12. payment or burden which does not carry with it the right
13. to search for and produce Unitized Substances.
14. 14. "Royalty Owner" is defined as and shall mean the owner of
15. a Royalty Interest.
16. 15. "Unit Operating Agreement" is defined as and shall mean
17. any agreement or agreements (whether one or more) entered
18. into (separately or collectively) by and between the Unit
19. Operator and the Working Interest Owners as provided in
20. Article x hereof and shall be styled "Unit Operating
21. Agreement, South Hospah Unit, McKinley County,
22. New Mexico."
23. 16. "Unit Manager" is defined as the person or corporation
24. appointed by the Unit Working Interest Owners upon resigna-
25. tion of the Unit Operator to perform the duties of Unit
26. Operator until the selection and qualification of a
27. successor Unit Operator as provided for in Article IX
28. hereof.
29. 17. "Oil and Gas Rights" is defined as the right to explore,
30. develop, and operate lands within the Unit Area for the
31. production of Unitized Substances, or to share in the
32. production so obtained or the proceeds thereof.

1. 18. "Unit Area" is defined as the land described by Tracts
2. in Exhibits "A" and "B" as to which this Agreement becomes
3. effective or to which it may be extended as herein
4. provided.
5. 19. "Unit Operator" is defined as the Working Interest Owner
6. designated by Working Interest Owners herein, if
7. there is only one (1) Working Interest Owner hereunder,
8. to develop and operate the Unitized Formation, acting
9. as Operator and not as a Working Interest Owner.
10. 20. "Record Owner" is defined as the holder of the record
11. title to a lease covering Federal lands according to the
12. applicable records of the Department of the Interior of
13. the United States of America. For the purposes of the
14. provisions of Article VI hereof solely, the Record Owner
15. shall replace the Royalty Owner as to Federal lands only.

ARTICLE III

UNIT AREA AND EXHIBITS

16. A. The following described land is hereby designated and recognized
17. as constituting the Unit Area, all of said land being situated in McKinley
18. County, New Mexico, to-wit:

19. Township 17 North, Range 9 West, N.M.P.M.

20. Section 12: Lots 1, 2, 3, 4, 5, 6, W/2 NE/4,
21. E/2 NW/4, SW/4 NW/4, NW/4 SE/4,
22. N/2 SW/4
23.
24.

25. containing 475.90 acres, more or less.

26. B. Exhibit "A" attached hereto is a map showing the Unit Area and
27. the boundaries and identity of Tracts and leases in said Unit Area to the
28. extent known to the Unit Operator. Exhibit "B" attached hereto is a
29. schedule showing, to the extent known to the Unit Operator, the acreage
30. comprising each Tract and the percentage ownership of each Working Interest

1. Owner and Royalty Owner in each Tract. Exhibit "C" attached hereto is a
2. schedule showing the percentage of Participation allocated each Tract in
3. the Unit Area. However, nothing herein or in said schedules or map shall
4. be construed as a representation by any party hereto as to the ownership
5. of any interest other than such interest or interests as are shown in said
6. map or schedules as owned by such party. Exhibits "A", "B" and "C" shall
7. be revised by the Unit Operator whenever changes in the Unit Area render
8. such revisions necessary, or when requested by the Supervisor, and not
9. less than six (6) copies of the revised Exhibits shall be filed with the
10. Supervisor.

ARTICLE IV

EXPANSION OF UNIT AREA

11. A. It is recognized that at some time or times in the future it
12. might be desirable and beneficial to expand the Unit Area to include therein
13. additional lands. The Unit Area, with the approval of the Director, may
14. be expanded to include therein any additional Tract or Tracts, whenever
15. such expansion is reasonably necessary or advisable to conform with the
16. purposes of this Agreement. Unit Operator, acting on behalf, and in
17. accordance with the authorization, of the Working Interests Owners, shall
18. negotiate an agreement or agreements with the owners of such Tract or
19. Tracts, which shall fix the Tract Participation of each such Tract and
20. commit such owners to this Agreement and the Unit Operating Agreement.
21. Whenever the Unit Area is enlarged so as to admit additional land qualified
22. for participation, Exhibits "A", "B" and "C" shall be revised as set forth
23. in Article VI hereof. Any such expansion shall be effected in the following
24. manner:

25. 1. Unit Operator, on its own motion, after preliminary con-
26. currence by the Director, shall prepare a notice of the
27. proposed expansion describing the contemplated changes in
28. the boundaries of the Unit Area, the reasons therefor, the
29. tract participation and the proposed effective date thereof,
30. preferably the first day of a month subsequent to the date of
31. notice. Said notice shall be delivered to the Supervisor, and
32. copies thereof mailed to the last known address of each

1. Working Interest Owner, Lessee, Record Owner and Royalty Owner
2. whose interests are affected, advising that thirty (30)
3. days will be allowed for the submission of any objections
4. to the Unit Operator.
5. 2. Upon expiration of the thirty (30) day period provided in
6. the preceding Section 1 hereof, the Unit Operator shall
7. file with the Supervisor evidence of mailing of the
8. notice of expansion and a copy of any objections thereto
9. which have been filed with the Unit Operator, together
10. with an application in sufficient number, for approval of
11. such expansion and with appropriate joinders.
12. 3. After due consideration of all pertinent information, the
13. expansion shall, upon approval by the Director, become
14. effective as of the date prescribed in the notice thereof.
15. B. There shall be no retroactive allocation or adjustment of Unit
16. Expense or of interests in Unitized Substances produced, or proceeds there-
17. from, prior to the effective date of expansion and qualification under
18. Article VI; however, this limitation shall not prevent an adjustment of
19. investment by reason of any enlargement.

ARTICLE V

UNITIZED LAND AND UNITIZED SUBSTANCES

20. A. All land committed to this Agreement as provided in Article VI
21. hereof, as to the Unitized Formation, shall constitute land referred to
22. herein as "Unitized Land" or "Land Subject To This Agreement." All oil,
23. gas, gaseous substances, sulphur contained in gas, condensate, distillate
24. and constituent liquid and liquifiable hydrocarbons in the Unitized
25. Formation are unitized under the terms of this Agreement and herein are
26. called "Unitized Substances." Nothing herein contained shall be construed
27. to unitize, pool or in any way affect the oil, gas and other minerals
28. contained in or that may be produced from any formation other than in the
29. Unitized Formation as defined above.

ARTICLE VI

TRACTS QUALIFIED FOR PARTICIPATION

1. A. Inasmuch as the objective of this Unit Agreement is to have
2. lands in the Unit Area operated and entitled to participation under the
3. terms hereof, no joinder shall be considered a commitment to this Unit
4. Agreement unless the Tract involved is qualified under this Article VI.
5. On or after the effective date hereof, the Tracts within the Unit Area
6. which shall be entitled to participation in the production of Unitized
7. Substances therefrom shall be those Tracts within the Unit Area that are
8. qualified as follows (the record interest shall replace the royalty interest
as to Federal lands for the purpose of this Article):

9. 1. Each Tract as to which Working Interest Owners owning
10. one hundred per cent (100%) of the Working Interest
11. have signed or ratified this Agreement and Royalty Owners
12. owning seventy-five per cent (75%) or more of the Royalty
13. Interests, have signed or ratified this Agreement.
14. 2. Each Tract as to which Working Interest Owners owning one
15. hundred per cent (100%) of the Working Interests and
16. Royalty Owners owning less than seventy-five per cent
17. (75%) of the Royalty Interests have signed or ratified
18. this Agreement, and as to which (a) all Working Interest
19. Owners in such Tract have joined in a request for the
20. commitment of such Tract to the Unit and (b) as to which
21. seventy-five (75%) or more of the combined voting interests
22. of Working Interest Owners in all Tracts which meet the
23. requirements of Section 1 of Paragraph A of this Article
24. VI vote in favor of the acceptance of such Tract as
25. qualified. For the purpose of this Section 2, the
26. voting interest of each Working Interest Owner shall be
27. equal to the ratio (expressed in percentage) which the
28. total of such Working Interest Owner's percentage partici-
29. pation in all Tracts which qualify under Section 1 of
30. Paragraph A of this Article VI, bears to the total per-
31. centage Unit participation of all Working Interest Owners

1. in all Tracts which qualify under said Section 1 as
2. such percentages are shown on Exhibit "C".

3. 3. Each Tract as to which Working Interest Owners owning
4. less than one hundred per cent (100%) of the Working
5. Interest have signed or ratified this Agreement, regardless
6. of the percentage of Royalty Interest therein that is
7. committed hereto, and as to which (a) the Working Interest
8. Owner who operates the Tract and all of the other subscribing
9. Working Interest Owners in such Tract have joined in a
10. request for inclusion of such Tract in Unit Participation
11. upon the basis of such commitment status and have executed
12. and delivered an indemnity agreement, indemnifying and
13. agreeing to hold the owners of the Working Interests in
14. the other qualified Tracts harmless from and against any
15. and all claims and demands that may be made by the non-
16. subscribing Working Interest Owners in such Tract on
17. account of the inclusion of the same in Unit participa-
18. tion, and further as to which (b) seventy-five per cent
19. (75%) or more of the combined voting interests of the
20. Working Interest Owners in all Tracts which meet the re-
21. quirements of Sections 1 and 2 above, vote in favor
22. of the inclusion of such Tract and to accept such indemnity
23. agreement. For the purpose of this Section 3, the
24. voting interest of each Working Interest Owner shall be
25. equal to the ratio (expressed in percentage) which the
26. total of such Working Interest Owner's percentage partici-
27. pation attributed to Tracts which qualify under either
28. Sections 1 and/or 2 above bears to the total participation
29. of all Working Interest Owners attributed to all Tracts
30. which qualify under either Sections 1 and/or 2, as
31. such percentages are set out in Exhibit "C". Upon the
32. commitment of such Tract or Tracts to this Unit Agreement,
33. the Tract Participations which would have attributed to

1. the non-subscribing Owners of the Working Interest in
2. such Tracts had they become committed to this Unit
3. Agreement shall be attributed to the Working Interest
4. Owners in such Tract or Tracts who have become committed
5. to the Unit Agreement in proportion to respective
6. Working Interests in said Tract or Tracts.
7. B. If on the effective date of this Agreement there are any Tracts
8. which have not been effectively committed to this Agreement by qualifying
9. as above provided, then such Tracts shall not be entitled to participate
10. hereunder.

ARTICLE VII

UNIT OPERATOR

11. Tenneco Oil Company, a Delaware corporation, is hereby designated
12. as Unit Operator, and by signature hereto as Unit Operator agrees and
13. consents to accept the duties and obligations of Unit Operator for the
14. development and production of Unitized Substances as herein provided.
15. Whenever reference is made herein to the Unit Operator, such reference
16. means the Unit Operator acting in that capacity and not as an owner of
17. interest in Unitized Substances, and the term "Working Interest Owner"
18. when used herein shall include or refer to Unit Operator as the owner of
19. a Working Interest when such an interest is owned by it.

ARTICLE VIII

RESIGNATION OR REMOVAL OF UNIT OPERATOR

1. A. Unit Operator shall have the right to resign at any time, but
2. such resignation shall not become effective so as to release Unit Operator
3. from the duties and obligations of Unit Operator and terminate Unit
4. Operator's rights as such for a period of six (6) months after notice of
5. intention to resign has been served by Unit Operator on all Working Interest
6. Owners and the Director, and until all wells are placed in a satisfactory
7. condition for suspension or abandonment whichever is required by the
8. Supervisor, unless a new Unit Operator shall have been selected and
9. accepted and shall have taken over and assumed the duties and obligations
10. of Unit Operator prior to the expiration of said period.

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

14. C. Unit Operator may, upon default or failure in the performance
15. of its duties or obligations hereunder, be subject to removal by an affir-
16. mative vote of the Working Interest Owners of at least ninety per cent
17. (90%) of the voting interest. Such removal shall be effective upon notice
18. thereof to the Director.

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

25. E. The resignation or removal of Unit Operator under this Agree-
26. ment shall not terminate its right, title or interest as the owner of a
27. Working Interest or other interest in Unitized Substances, but upon the
28. resignation or removal of Unit Operator becoming effective, such Unit
29. Operator shall deliver possession of all wells, equipment, materials and
30. appurtenances used in conducting the Unit operations and owned by the
31. Working Interest Owners to the new duly qualified successor Unit Operator

1. or to the owners thereof if no such new Unit Operator is elected, to be
2. used for the purpose of conducting Unit Operations hereunder. Nothing
3. herein shall be construed as authorizing removal of any material, equipment
4. and appurtenances needed for the preservation of any wells.

ARTICLE IX

SUCCESSOR UNIT OPERATOR

5. A. Whenever the Unit Operator shall tender its resignation as
6. Unit Operator or shall be removed as hereinabove provided, a successor
7. Unit Operator shall be selected by Working Interest Owners voting according
8. to their respective Tract Participation in all Unitized Land by a majority
9. vote. Such selection shall not become effective until:

10. 1. A Unit Operator so selected shall accept in writing the
11. duties and responsibilities of Unit Operator;

12. and

13. 2. The selection shall have been filed with the Supervisor.

14. B. If no successor Unit Operator is selected and qualified as
15. herein provided, the Director at his election may declare this Unit Agreement
16. terminated.

ARTICLE X

ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT

17. A. If the Unit Operator is not the sole owner of Working Interests,
18. costs and expenses incurred by Unit Operator in conducting Unit Operations
19. hereunder shall be paid and apportioned among and borne by the owners of
20. Working Interests, all in accordance with the agreement or agreements,
21. whether one or more, separately or collectively, entered into by and
22. between Unit Operator and the owners of Working Interests. Any agreement
23. or agreements, whether one or more, entered into between the Working
24. Interest Owners and Unit Operator as provided in this Article are herein
25. referred to as the "Unit Operating Agreement."

26. B. Such Unit Operating Agreement shall also set forth such other
27. rights and obligations as between Unit Operator and the Working Interest
28. Owners, as may be agreed upon by Unit Operator and the Working Interest
29. Owners, however, no such Unit Operating Agreement shall be deemed either

1. to modify any of the terms and conditions of this Unit Agreement or to
2. relieve Unit Operator of any right or obligation established under this
3. Unit Agreement, and in case of any inconsistency or conflict between the
4. Unit Agreement and the Unit Operating Agreement, this Unit Agreement
5. shall prevail.

6. C. Three (3) true copies of any Unit Operating Agreement executed
7. pursuant to this Article shall be filed with the Supervisor prior to
8. approval of this Unit Agreement. Three (3) true copies of any revision or
9. amendment to such Agreement shall be filed promptly with the Supervisor.

ARTICLE XI

RIGHTS AND OBLIGATIONS OF UNIT OPERATOR

10. Except as otherwise specifically provided herein, the exclusive right,
11. privilege, and duty of exercising any and all rights of the parties hereto,
12. including surface rights, which are necessary or convenient for prospecting
13. for, producing, storing, allocating and distributing the Unitized Substances
14. are hereby delegated to and shall be exercised by Unit Operator as herein
15. provided. Acceptable evidence of title to said rights shall be deposited
16. with Unit Operator and, together with this Agreement, shall constitute
17. and define the rights, privileges and obligations of Unit Operator.
18. Nothing herein, however, shall be construed to transfer title to any
19. land or to any lease or operating agreement, it being understood that
20. under this agreement, that the Unit Operator, in its capacity as Unit
21. Operator, shall exercise the rights of possession and use vested in the
22. parties hereto only for the purposes herein specified.

ARTICLE XII

PLAN OF OPERATION

23. A. It is recognized and agreed by the parties hereto that the
24. Unit Area is developed and productive, and only such drilling as is inci-
25. dental to a secondary recovery or pressure maintenance program is contemplated.

26. B. Inasmuch as the primary purpose of this Unit Agreement is to
27. permit the institution and consummation of a secondary recovery or pressure
28. maintenance program for the maximum economic production of Unitized

1. Substances consistent with good engineering and conservation practices,
2. Unit Operator, concurrently with the filing of this Unit Agreement for
3. final approval by the Director, shall submit to the Supervisor for approval,
4. a plan of operation for the Unitized Land, and upon approval thereof by
5. the Supervisor, such plan shall constitute the future operating obliga-
6. tions of Unit Operator under this Unit Agreement for the period specified
7. therein. Thereafter, from time to time before the expiration of any
8. existing plan, Unit Operator shall submit for like approval a plan for an
9. additional specified period of operation; said plan or plans shall be
10. modified or supplemented when necessary to meet changed conditions, or to
11. protect the interest of all parties to the Unit Agreement. Reasonable
12. diligence shall be exercised in complying with the obligations of any
13. approved plan of operation.

14. C. Unit Operator shall have the right to inject into the Unitized
15. Formation any substance or substances, whether produced from the Unitized
16. Formation or otherwise, for secondary recovery or pressure maintenance
17. purposes in accordance with a plan of operation approved by the Supervisor.
18. Unit Operator shall also have the right to drill and maintain injection
19. wells on the Unitized Land and completed in the Unitized Formation, and to
20. use abandoned wells or wells producing from the Unitized Formation for said
21. purpose, and the parties hereto, to the extent of their rights and interests,
22. hereby grant to the Unit Operator the right to use as much of the surface
23. of the land within the Unit Area as may be reasonably necessary for the
24. operation and the development of the Unit Area hereunder.

ARTICLE XIII

TRACT PARTICIPATION AND ALLOCATION OF UNITIZED SUBSTANCES

1. A. Beginning at 7:00 A.M. on the effective date hereof, the Tract
2. Participation of each Tract shall be based upon the number of net productive
3. acre feet of the Unitized Formation underlying such Tract. Unitized
4. Substances shall be allocated to each Tract in the proportion that the
5. number of net productive acre feet of unitized Formation underlying such
6. Tract bears to the total number of net productive acre feet of Unitized
7. Formation underlying the entire Unit Area.

8. B. The percentage set forth opposite each Tract in Exhibit "C"
9. represents the Tract Participation to which such Tract is entitled if all
10. said Tracts are committed hereto and qualified as of the effective date
11. of this Agreement.

12. C. Promptly after approval of the Unit Agreement, if all Tracts
13. are not qualified hereto, Unit Operator shall revise Exhibit "C" to show
14. all Tracts qualified to this Agreement by setting forth opposite each
15. Tract a revised Tract Participation therefor, which shall be calculated
16. by using the same Tract factors and formula which were used to arrive at
17. the Tract Participation of each Tract as set out in the original Exhibit
18. "C" but applying the same only to those Tracts which are qualified effective
19. as of the effective date of this Unit Agreement. Upon its approval by the
20. Supervisor, said revised Exhibit "C" shall become effective as of the
21. effective date of this agreement.

22. D. If, after the effective date of this Agreement, any Tract or
23. Tracts are subsequently committed hereto and qualified because of ex-
24. pansion of the Unit under Article IV hereof, or any Tract or Tracts are
25. subsequently qualified under the provisions of Article VI above, and Article
26. XXXI or if any Tract is eliminated from the Unit Agreement as provided in
27. Article XXX, the Schedule of Participation as shown in Exhibit "C" shall
28. be revised by the Unit Operator to show the new Tract Participations of all
29. the then qualified Tracts, and the revised Exhibit "C", upon approval by
30. the Supervisor when the revision is the result of a loss of title or by
31. the Director when the revision is the result of subsequent commitment of
32. interests, shall govern the allocation of production from the effective

1. date thereof until the effective date of a new schedule so approved. In any
2. such revised Exhibit "C", pursuant to this paragraph, the Tract Participation
3. of the previously qualified Tracts shall remain in the same ratio one to the
4. other.

5. E. On the effective date of this Agreement, and thereafter, all
6. Unitized Substances produced hereunder (except any part thereof used in
7. conformity with good operating practices for drilling, operating, camp
8. and other production or development purposes, for pressure maintenance or
9. secondary recovery operations in accordance with a plan of operation
10. approved by the Supervisor, or unavoidably lost), shall be deemed to be
11. produced from the several Tracts of Unitized Land, and for the purpose
12. of determining any benefits accruing under this Agreement each such Tract
13. shall have allocated to it that percentage of said production equal to its
14. Tract Participation effective hereunder during the respective period such
15. Unitized Substances were produced, as set out in Exhibit "C".

16. F. The amount of Unitized Substances allocated to each Tract
17. shall be deemed to be produced from such Tract irrespective of the location
18. of the wells from which the same is produced and regardless of depletion
19. of wells or Tracts. In the absence of a controlling contract or agree-
20. ment to the contrary, when two or more leases, or part or parts thereof,
21. have been combined into a single Tract, the percentage participation
22. assigned to such Tract shall, for all purposes, be divided among the
23. separate leases, or part or parts thereof, which have been put into such
24. Tract, in proportion that number of surface acres of the lease, or
25. part or parts thereof, contained in such Tract, bear to the total num-
26. ber of surface acres contained in said Tract.

27. G. No Tract committed to this Agreement and qualified for parti-
28. cipation as above provided shall be subsequently excluded from participation
29. hereunder on account of depletion of Unitized Substances or incapability
30. to produce Unitized Substances, and nothing herein contained shall be
31. construed as requiring any retroactive adjustment for production obtained
32. prior to the effective date of the joinder of any Tracts.

1. H. The Unitized Substances allocated to each Tract shall be
2. delivered in kind to the respective Working Interest Owners and parties
3. entitled thereto by virtue of the ownership of oil and gas rights
4. therein, or by purchase from such owners. Each Working Interest Owner
5. and the parties entitled thereto shall have the continuing right to
6. receive such production in kind at a common point within the Unit Area
7. and to sell or dispose of the same as it sees fit. Each such party shall
8. have the right to construct, maintain and operate all necessary facilities
9. for that purpose on Unitized Land, provided the same are so constructed,
10. maintained and operated as not to interfere with operations carried on
11. pursuant hereto. Subject to Article XV hereof, any extra expenditure
12. incurred by Unit Operator by reason of the delivery in kind of any portion
13. of the Unitized Substances shall be borne by the party receiving the same
14. in kind. If a Royalty Owner has the right to take in kind a share of
15. Unitized Substances and fails to do so, the Working Interest Owner whose
16. Working Interest is subject to such Royalty Interest shall be entitled to
17. take in kind such share of the Unitized Substances.

18. I. If any party fails to take in kind or separately dispose
19. of its share of Unitized Substances, Unit Operator shall have the right
20. for the time being and subject to revocation at will by the party owning
21. the share, to sell or otherwise dispose of such production to itself or
22. to others on a day to day basis at not less than the prevailing market
23. price in the area for like production. The proceeds of the Unitized
24. Substances so disposed of by Unit Operator shall be paid to the party
25. entitled thereto.

26. J. Notwithstanding the foregoing, the Unit Operator shall not
27. make a sale into interstate commerce of any Working Interest Owner's
28. share of gas production without first giving such Working Interest Owner
29. sixty (60) days notice of such intended sale.

30. K. Any party receiving in kind or separately disposing of all
31. or any part of the Unitized Substances allocated to any Tract, or receiving
32. the proceeds therefrom, if the same is sold or purchased by Unit Operator,

1. shall be responsible for the payment of all royalty on the lease or leases
2. and Tracts contributed by it and received into the Unit, and each such
3. party shall hold each other party hereto harmless against all claims,
4. demands, and causes of action for such royalty on the lease or leases and
5. Tracts contributed by it to the Unit Area.

6. L. Working Interest Owners may use as much of the Unitized
7. Substances as they reasonably deem necessary for the operation and develop-
8. ment of the Unit Area, including but not limited to the injection of
9. Unitized Substances into the Unitized Formation.

10. M. No royalty shall be payable upon or with respect to Unitized
11. Substances used or consumed in the operation or development of the Unit
12. Area or which may be otherwise lost or consumed in the production, handling,
13. treating, transporting or storing of Unitized Substances.

ARTICLE XIV

ROYALTY SETTLEMENT

14. A. The United States and all Royalty Owners who, under existing
15. contract, are entitled to take in kind a share of the substances unitized
16. hereunder produced from any Tract, shall hereafter be entitled to the
17. right to take in kind their share of the Unitized Substances allocated to
18. such Tract, and Unit Operator shall make deliveries of such royalty share
19. taken in kind in conformity with the applicable contracts, laws and
20. regulations. Settlement for Royalty Interest not taken in kind shall be
21. made by Working Interest Owners responsible therefor under existing
22. contracts, laws and regulations on or before the last day of each month
23. for Unitized Substances produced during the preceding calendar month;
24. provided, however, that nothing herein contained shall operate to relieve
25. the lessees of any land from their respective lease obligations for the pay-
26. ment of any royalties due under their leases, except that such royalties
27. shall be computed on Unitized Substances as allocated to each Tract in
28. accordance with the terms of this Unit Agreement.

29. B. If gas obtained from lands or formations not subject to this
30. Agreement is introduced into the Unitized Formation hereunder, for use
31. in repressuring, stimulation of production, or increasing ultimate recovery,

1. in conformity with a plan first approved by the Supervisor, a like amount
2. of gas less appropriate deductions for loss or depletion from any cause,
3. may be withdrawn from the Unitized Formation, royalty free as to dry gas,
4. but not as to the products extracted therefrom; provided that such with-
5. drawal shall be at such time as may be provided in the approved plan of
6. operations or as may otherwise be consented to by the Supervisor as con-
7. forming to good petroleum engineering practice; and provided further that
8. such right of withdrawal shall terminate on the termination of this Unit
9. Agreement.

10. C. If natural gasoline, liquid petroleum gas or other liquid
11. hydrocarbon substances which were not extracted from gas produced from
12. the Unitized Formation are injected into the Unitized Formation, in
13. conformity with an approved plan of operation, Working Interest Owners
14. shall be entitled to recover, royalty free, part or all of such substances
15. pursuant to such formulas as may be approved by the Supervisor.

16. D. Royalty due the United States shall be computed as provided
17. in the operating regulations and paid in value or delivered in kind as to
18. all Unitized Substances on the basis of the amounts thereof allocated to
19. unitized Federal land as provided herein at the rates specified in the
20. respective Federal leases, or at such lower rates as may be authorized
21. by law or regulation; provided that for leases on which the royalty rate
22. depends on the daily average production per well, said average production
23. shall be determined in accordance with the operating regulations as though
24. the Unitized Lands were a single consolidated lease.

ARTICLE XV

RENTAL SETTLEMENT

25. Rental or minimum royalties due on leases committed hereto shall be
26. paid by Working Interest Owners responsible therefor under existing contracts,
27. laws and regulations, provided that nothing herein contained shall operate
28. to relieve the lessees of any land from their respective lease obligations
29. for the payment of any rental or minimum royalty in lieu thereof due under
30. their leases. Rental or minimum royalty for lands of the United States
31. subject to this Agreement shall be paid at the rate specified in the
32. respective leases from the United States unless such rental or minimum

1. royalty is waived, suspended or reduced by law or by approval of the
2. Secretary or his duly authorized representative.

ARTICLE XVI

CONSERVATION

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

ARTICLE XVII

DRAINAGE

7. Unit Operator shall take appropriate and adequate measures to
8. prevent drainage of Unitized Substances from Unitized Land by wells on
9. land not subject to this Agreement, or with prior consent of the Director,
10. pursuant to applicable regulations pay a fair and reasonable compensatory
11. royalty as determined by the Supervisor. In event compensatory royalty
12. is so paid, it shall be treated in the same manner as Unitized Substances.

ARTICLE XVIII

GAUGE OF MERCHANTABLE OIL

13. A. Unit Operator shall make a proper and timely gauge of all
14. lease and other tanks within the Unit Area and associated with the opera-
15. tion of Unitized Land in order to ascertain the amount of merchantable
16. oil above the pipeline connections in such tanks at 7:00 A.M. on the
17. effective date hereof. All such oil shall be and remain the property of
18. the parties entitled thereto the same as if the Unit had not been formed;
19. and such parties shall promptly remove said oil from said tanks. Any
20. such oil not so removed shall be sold by Unit Operator for the account of
21. parties entitled thereto, subject to the payment of all royalties, over-
22. riding royalties, production payments, and all other payments under the
23. terms and provisions of the applicable lease, leases or other contracts.
24. B. The oil that is excess of the prior allowable for the wells
25. from which it was produced shall be regarded as Unitized Substances produced
26. after the effective date hereof.

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

ARTICLE XIX

LEASES AND CONTRACTS CONFORMED AND EXTENDED

8. A. The terms, conditions and provisions of all leases, subleases
9. and other contracts relating to exploration, drilling, development or
10. operation for oil or gas of lands committed to this Agreement are hereby
11. expressly modified and amended to the extent necessary to make the same
12. conform to the provisions hereof, but otherwise to remain in full force
13. and effect; and the parties hereto hereby consent that the Secretary shall
14. and by his approval hereof, or by the approval hereof by his duly authorized
15. representative, does hereby establish, alter, change or revoke the drilling,
16. producing, rental, minimum royalty and royalty requirements of Federal leases
17. committed hereto and the regulations in respect thereto to conform said
18. requirements to the provisions of this Agreement.

19. B. Without limiting the generality of the foregoing, all leases,
20. sub-leases and contracts are particularly modified in accordance with the
21. following:

22. 1. The development and operation of lands subject to this
23. Agreement under the terms hereof shall be deemed full
24. performance of all obligations for development and opera-
25. tion with respect to each and every part or separately
26. owned Tract of the Unitized Land, notwithstanding anything
27. to the contrary in any lease, operating agreement or other
28. contract by and between the parties hereto, or their
29. respective predecessors in interest, or any of them.

30. 2. Drilling and producing operations performed hereunder upon
31. any Tract of Unitized Land will be accepted and deemed to

1. be performed upon and for the benefit of each and
2. every Tract of Unitized Land, and no lease shall be
3. deemed to expire by reason of failure to drill or
4. produce wells situated on the land therein embraced.

5. 3. Suspension of drilling or producing operations on all
6. Unitized Land pursuant to direction or consent of the
7. Secretary or his duly authorized representative shall
8. be deemed to constitute such suspension pursuant to
9. such direction or consent as to each and every Tract of
10. Unitized Land.

11. 4. Each lease, sublease or contract relating to the explora-
12. tion, drilling, development or operation for oil or gas
13. of lands committed to this Agreement, which, by its
14. terms might expire prior to the termination of this
15. Agreement is hereby extended beyond any such term so
16. provided therein so that it shall be continued in full
17. force and effect for and during the term of this Agreement.

18. 5. The segregation of any Federal lease committed to this
19. Agreement is governed by the following provision in the
20. fourth paragraph of Section 17 (j) of the Mineral Leasing
21. Act, as amended by the Act of September 2, 1960, (74
22. Stat. 781-784): "Any (federal) lease heretofore or here-
23. after committed to any such (unit) plan embracing lands
24. that are in part within and in part outside of the area
25. covered by any such plan shall be segregated into separate
26. leases as to the lands committed and the lands not
27. committed as of the effective date of unitization;
28. Provided, however, that any such lease as to the non-
29. unitized portion shall continue in force and effect for
30. the term thereof but for not less than two years from
31. the date of such segregation and so long thereafter as
32. oil or gas is produced in paying quantities."

1. C. Termination of this Agreement shall not affect any lease,
2. which, pursuant to the terms thereof or any applicable laws, shall continue
3. in force and effect thereafter.

ARTICLE XX

COVENANTS RUN WITH LAND

4. A. The covenants herein shall be construed to be covenants
5. running with the land with respect to the interest of the parties hereto
6. and their successors in interest until this Agreement terminates, and any
7. grant, transfer, or conveyance of interest in land or leases subject hereto
8. shall be and hereby is conditioned upon the assumption of all privileges
9. and obligations hereunder by the grantee, transferee, or other successor
10. in interest. No assignment or transfer of any Working Interest shall be
11. binding upon Unit Operator nor shall any transfer of any Royalty Interest
12. or other interest be binding on the Working Interest Owner responsible for
13. payment or settlement thereof, until the first day of the calendar month
14. after Unit Operator or the responsible Working Interest Owner, as the case
15. may be, is furnished with the original, photostat or certified copy of the
16. instrument of transfer.

17. B. If any Working Interest Owner shall, after executing this
18. Agreement, create any overriding royalty, production payment or any similar
19. interest out of such party's Working Interest, the new owner or owners of
20. such interest or interests shall be bound by the terms of this Agreement
21. and the Unit Operating Agreement, if the Unit Operator is not the only
22. Working Interest Owner under this Agreement.

ARTICLE XXI

EFFECTIVE DATE

23. A. This Agreement shall become binding upon each party who
24. executes or ratifies it as of the date of execution or ratification by
25. such party, and this Agreement shall become effective as of 7:00 A.M. of
26. the first day of the calendar month next following:

27. (1) The execution or ratification of this Agreement and the Unit
28. Operating Agreement by Working Interest Owners of Tracts comprising eighty
29. per cent (80%) or more, on a surface acreage basis, of the Unit Area as
30. shown on the original Exhibit "B" and which are qualified under the
31. provisions of Article VI.

1. (2) Approval of this Agreement by the Director.
2. and provided further, that if (1) and (2) above are not accomplished on
3. or before ~~July 1~~^{OCTOBER}, 1968, this Agreement shall ipso facto expire on said
4. date (hereinafter called "expiration date") and thereafter be of no
5. further force or effect, unless prior thereto this Agreement has been
6. executed or ratified by Working Interest Owners of Tracts comprising eighty
7. per cent (80%) or more, on a surface acreage basis, of the Unit Area who
8. have voted to extend such expiration date for a period not to exceed six
9. (6) months. If said expiration date is so extended and this Unit Agreement
10. is not filed with the Director and the Commission for approval on or before
11. said extended expiration date, this agreement shall ipso facto expire on
12. said extended expiration date and thereafter be of no further force or
13. effect.

14. B. Unit Operator shall, within thirty (30) days after the effective
15. date of this Agreement, file for record in the Office where a counterpart
16. of this Agreement is recorded, a certificate to the effect that this
17. Agreement has become effective according to its terms and stating further
18. the effective date.

ARTICLE XXII

TERM

19. The term of this Agreement shall be for and during the time that
20. Unitized Substances can be produced in quantities sufficient to pay for
21. the cost of producing same from wells on Unitized Land and for as long
22. thereafter as drilling, reworking or other operations are prosecuted on
23. Unitized Land without cessation of more than ninety (90) consecutive days,
24. and so long thereafter as Unitized Substances can be produced as aforesaid,
25. unless sooner terminated by Working Interest Owners, or by the Director as
26. provided in Article IX or Article XXIII.

ARTICLE XXIII

TERMINATION BY WORKING INTEREST OWNERS

27. A. This Agreement may be terminated at any time by Working Interest
28. Owners owning ninety per cent (90%) or more of the participation percentage
29. in the Unitized Land with the approval of the Director. Notice of any such
30. termination shall be given by the Unit Operator to all parties hereto.

1. B. Upon termination of this Agreement, the Parties hereto shall
2. be governed by the terms and provisions of the leases and contracts
3. affecting the separate Tracts.

4. C. If not specified otherwise by the leases unitized under this
5. Agreement, Royalty Owners hereby grant Working Interest Owners a period
6. of six (6) months after termination of this Agreement in which to salvage,
7. sell, distribute or otherwise dispose of the personal property and
8. facilities used in connection with Unit Operations.

9. D. Unit Operator shall, within thirty (30) days after the termina-
10. tion of this Agreement has been determined, pursuant to Article IX or
11. Article XXIII hereof, file for record in the office or offices where a
12. counterpart of this Agreement is recorded, a certificate setting forth
13. the fact of such termination and the date thereof.

ARTICLE XXIV

RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION

14. A. The Director is hereby vested with authority to alter or modify
15. from time to time in his discretion the quantity and rate of production
16. under this Agreement when such quantity and rate is not fixed pursuant to
17. Federal or State law or order of any duly authorized regulatory body under
18. any Federal or State statute, such authority being hereby limited to
19. alteration or modification in the public interest, the purpose thereof
20. and the public interest to be served thereby to be stated in the order of
21. alteration or modification; provided that such alteration or modification
22. is not in violation of any applicable Federal or State law.

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

ARTICLE XXV

APPEARANCES

26. Unit Operator shall, after notice to other parties affected, have
27. the right to appear for and on behalf of any and all interests affected
28. hereby before the Department and the Commission and to appeal from orders
29. issued under the regulations of the Department or the Commission or to

1. apply for relief from any of said regulations or in any proceedings
2. relative to operations before the Department or Commission or any other
3. legally constituted authority; provided, however, that any other interested
4. party shall also have the right at his own expense to be heard in any
5. such proceeding.

ARTICLE XXVI

NOTICES

6. All notices, demands or statements required hereunder to be given
7. or rendered to the parties hereto shall be deemed fully given, if given in
8. writing, or personally delivered to the party or sent by postpaid certified
9. mail, addressed to such party at the latest address such party has furnished
10. to the party sending the notice, demand or statement.

ARTICLE XXVII

NO WAIVER OF CERTAIN RIGHTS

11. Nothing in this Agreement contained shall be construed as a waiver
12. by any party hereto of the right to assert any legal or constitutional
13. right or defense as to the validity or invalidity of any law of the State
14. of New Mexico, or of the United States, or the rules or regulations issued
15. thereunder in any way affecting such party, or as a waiver by any such
16. party of any right beyond his or its authority to waive, provided, however,
17. each party hereto covenants that during the existence of this Agreement,
18. such party shall not resort to any action at law or in equity to partition
19. the Unitized Land or the facilities used in the development or operation
20. thereof and to that extent waives the benefits of all laws authorizing
21. such partition.

ARTICLE XXVIII

UNAVOIDABLE DELAY

22. All obligations under this Agreement requiring the Unit Operator
23. to commence or continue operations hereunder shall be suspended while, but
24. only so long as Unit Operator, despite the exercise of due care and dili-
25. gence, is prevented from complying with such obligations, in whole or in
26. part, by strikes, acts of God, Federal, State or municipal law or agencies,

1. unavoidable accidents, uncontrollable delays in transportation, inability
2. to obtain necessary materials in open market, or other matters beyond the
3. reasonable control of Unit Operator, whether similar to matters herein
4. enumerated or not.

ARTICLE XXIX

NON-DISCRIMINATION

5. In connection with the performance of work under this Agreement,
6. the Unit Operator agrees to comply with all of the provisions of Section
7. 202 (1) to (7), inclusive, of Executive Order 11246, 30 F.R. 12319, which
8. are hereby incorporated by reference in this Agreement.

ARTICLE XXX

LOSS OF TITLE

9. A. If any Tract of Unitized Land ceases to have sufficient Working
10. Interest or Royalty Interest committed to this Agreement to meet the
11. conditions of Article VI because of failure of title to any party hereto,
12. such Tract shall be regarded as not committed hereto as of 7:00 A.M. on
13. the first day of the calendar month in which such failure of title is
14. finally determined; provided, however, that no such Tract shall be so
15. regarded if the same can be requalified under said Article VI within
16. ninty (90) days after the date on which such title failure was finally
17. determined. If any such Tract cannot so be requalified, Unit Operator
18. shall recompute the Tract Participation of each Tract of Unitized Land
19. remaining subject to this Agreement so that such Tract Participations
20. shall remain in the same ratio one to another. Thereafter, Unit Operator
21. shall revise Exhibit "B" and Exhibit "C" conformably with such recompu-
22. tation. Each such revised Exhibit shall be effective at 7:00 A.M. on the
23. first day of the calendar month in which such failure of title is finally
24. determined. If title to a Working Interest fails, the rights and obliga-
25. tions of Working Interest Owners by reason of such failure shall be governed
26. by the Unit Operating Agreement. If title to a Royalty Interest fails,
27. but the Tract to which it relates remains committed to this Agreement,
28. the Royalty Owner whose title fails shall not be entitled to participate
29. hereunder insofar as its participation is based on such lost Royalty

1. Interest. In the event of a dispute as to the title to any Working or
2. Royalty Interest, or other interest subject hereto, payment or delivery
3. on account thereof may be withheld without liability or interest until
4. the dispute is finally settled; provided, that as to Federal lands or
5. leases, no payments of funds due to the United States of America shall
6. be withheld, but such funds shall be deposited by the Supervisor to be held
7. as unearned money pending final settlement of the title dispute, and then
8. applied as earned or returned in accordance with such final settlement.

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

11. C. In order to avoid title failure which might incidentally
12. cause the title to a Working Interest or Interests to fail, the owners of
13. (1) the surface rights to land subject to this Agreement, (2) severed
14. minerals or Royalty Interests in said land, and (3) improvements located
15. on said lands but not utilized for Unit Operations, shall individually
16. be responsible for the rendition and assessment, for ad valorem tax
17. purposes, of all such property, and for payment of such taxes, except as
18. otherwise provided in any contract or agreement between such owners and
19. a Working Interest Owner or Owners or in the Unit Operating Agreement. If
20. any ad valorem taxes are not paid by such owners responsible therefor when
21. due, the Unit Operator may, at any time prior to tax sale, pay the same,
22. redeem such property, and discharge such tax liens as may arise through
23. non-payment. In the event the Unit Operator makes any such payment or
24. redeems any such property from tax sale, the Unit Operator shall be
25. reimbursed therefor by the Working Interest Owners in proportion to their
26. respective percentages of Unit Participation; and Unit Operator shall
27. withhold from the proceeds otherwise due to said delinquent taxpayer or
28. taxpayers, an amount sufficient to defray the costs of such payment or
29. redemption, such withholdings to be distributed among the Working Interest
30. Owners in proportion to their respective contributions toward such payment
31. or redemption.

ARTICLE XXXI

SUBSEQUENT JOINDER

1. After the effective date of this Agreement, the commitment of any
2. interest in any Tract within the Unit Area shall be upon such equitable
3. terms as may be negotiated by Working Interest Owners and the owner of
4. such interest. After the effective date hereof, joinder by a Royalty
5. Owner must be consented to in writing by the Working Interest Owner committed
6. hereto and responsible for the payment of any benefits that may accrue
7. hereunder in behalf of such Royalty Interest. Joinder by any Royalty
8. Owner at any time must be accompanied or preceded by appropriate joinder
9. by the Owner of the corresponding Working Interest in order for the
10. interest to be regarded as effectively committed. Joinder to the Unit
11. Agreement by a Working Interest Owner at any time must be accompanied by
12. appropriate joinder to the Unit Operating Agreement if the Unit Operator
13. is not the only Working Interest Owner hereunder, in order for the interest
14. to be regarded as committed to this Unit Agreement. Except as may other-
15. wise herein be provided, subsequent joinders to this Agreement shall be
16. effective as of the first day of the month following the filing with the
17. Supervisor of duly executed counterparts of all or any papers necessary
18. to establish commitment of any Tract to this Agreement unless objection
19. to such joinder is made within sixty (60) days by the Director.

ARTICLE XXXII

COUNTERPARTS

20. A. This Agreement may be executed in any number of counterparts,
21. no one of which needs to be executed by all parties, or may be ratified or
22. consented to by separate instrument in writing specifically referring
23. hereto and shall be binding upon all those parties who have executed such
24. a counterpart, ratification or consent hereto with the same force and
25. effect as if all such parties had signed the same document and regardless
26. of whether or not it is executed by all other parties owning or claiming
27. an interest in the lands within the above-described Unit Area.

28. B. In the event any of the parties hereto owns both Working
29. Interests and Royalty Interests, as such interests are shown on Exhibit "B",

1. it shall not be necessary for such party to execute this Agreement in
2. both capacities in order to commit both classes of interest. Execution
3. hereof by any such party in one capacity shall also constitute execution
4. in the other capacity.

ARTICLE XXXIII

TAXES

5. Each party hereto shall, for its own account, render and pay
6. its share of any taxes levied against or measured by the amount or value
7. of the Unitized Substances produced from the Unitized Land; provided,
8. however, that if it is required or if it be determined that the Unit
9. Operator, or any of the Working Interest Owners, must pay or advance
10. said taxes for the account of the parties hereto, it is hereby expressly
11. agreed that the parties so paying or advancing said taxes shall be reim-
12. bursed therefor by the parties hereto, including Royalty Owners, who may
13. be responsible for the taxes on their respective allocated share of said
14. Unitized Substances. No such taxes shall be charged to the United States
15. nor to any lessor who has a contract with a lessee which requires his
16. lessee to pay such taxes.

ARTICLE XXXIV

NO PARTNERSHIP

17. The duties, obligations and liabilities of the parties hereto
18. are intended to be several and not joint or collective. This Agreement is
19. not intended to create and shall not be construed to create, an associa-
20. tion or trust, or to impose a partnership duty, obligation or liability
21. with regard to any one or more of the parties hereto. Each party hereto
22. shall be individually responsible for its own obligations as herein
23. provided.

ARTICLE XXXV

BORDER AGREEMENTS

24. Unit Operator, with concurrence of Working Interest Owners having
25. a combined Unit Participation of sixty-five per cent (65%) or more, may,
26. subject to approval of the Supervisor, enter into an agreement or agree-
27. ments with the Working Interest Owners of adjacent lands with respect to

1. the operations designed to increase ultimate recovery, conserve natural
2. resources and to protect the parties and interest.

ARTICLE XXXVI

CORRECTION OF ERRORS

3. It is hereby agreed by all parties to this Agreement that Unit
4. Operator is empowered to correct any mathematical or clerical errors which
5. may exist in the pertinent exhibits to this Agreement; provided, however,
6. that correction of any error other than mathematical or clerical shall
7. be made by Unit Operator only as provided in Paragraph B of Article III
8. hereof. If any such corrections are made, Unit Operator shall file not
9. less than six (6) copies of the corrected pages of this Agreement or of the
10. Exhibits hereto with the Supervisor. Unit Operator shall also provide
11. such corrected pages to the other parties hereto and shall otherwise
12. comply with the provisions of Paragraph B of Article III.

ARTICLE XXXVII

PERSONAL PROPERTY EXCEPTED

13. Each of the Working Interest Owners hereto has heretofore individually
14. placed in or on wells drilled by such Working Interest Owner on its leases
15. or interests and in or on the land covered by said leases or interests
16. certain casing, casing flanges, tubing, rods, pipes, tanks, as well as
17. other lease and well equipment or other personal property (to all of which
18. provisions hereof are applicable, whether similar or dissimilar in nature
19. to the foregoing enumeration). As to all of such equipment, the installing
20. Working Interest Owner has the contractual right in and under its respec-
21. tive leases to remove the same from the premises, and the installation
22. thereof by said Working Interest Owner was with the intention and under-
23. standing that all of such equipment would be and remain personal property
24. and that no part thereof would be or become fixtures to the realty.
25. The Working Interest Owners hereto have dealt or shall deal separately
26. among themselves and do hereby or shall make a separate agreement with
27. each other with respect to such lease and well equipment and all other
28. personal property located in or on the well or their respective leases,
29. on one hand, and the realty, leasehold estates, and the wells (exclusive

1. of all equipment in or on said wells) located on and the Unitized
2. Substances underlying the Unit Area, on the other hand. To that end,
3. the Working Interest Owners have severed, and do hereby sever, or shall
4. sever, for all purposes of this Agreement, all such lease and well equip-
5. ment and other such personal property which may be located in or on the
6. respective leases or in or on the wells thereon from the real lease-
7. hold estates, and the wells located on and the Unitized Substances under-
8. lying the Unit Area. To conform their respective investments in such
9. equipment, Working Interest Owners have made or shall make a separate
10. agreement with each other with respect thereto.

ARTICLE XXXVIII

LIEN OF UNIT OPERATOR

11. Unit Operator shall have a lien upon the interests of Working
12. Interest Owners in the Unit Area to the extent provided in the Unit Operating
13. Agreement, if the Unit Operator is not the only Working Interest Owner
14. hereunder.

ARTICLE XXXIX

CONFLICT OF SUPERVISION

15. Neither the Unit Operator nor the Working Interest Owners, nor any
16. of them, shall be subject to any forfeiture, termination or expiration of
17. any rights hereunder or under any leases or contracts subject hereto, or
18. to any penalty or liability on account of delay or failure in whole or in
19. part to comply with any applicable provisions thereof, to the extent that
20. the said Unit Operator or the Working Interest Owners, or any of them,
21. are hindered, delayed or prevented from complying therewith by reason of
22. failure of the Unit Operator to obtain, in the exercise of due diligence,
23. the concurrence of proper representatives of the United States in and
24. about any matters or things concerning which it is required herein that
25. such concurrence be obtained. The provisions of this Article shall also
26. be deemed to include any other governmental body or agency if non-Federal
27. lands become committed to this Agreement.

ARTICLE XL

NON-FEDERAL LANDS

1. If any non-Federal lands become committed to this Agreement under any
2. provision of any Article hereof, all provisions which make reference to
3. the approval by the Director and/or Supervisor shall be deemed to also
4. include the Commission and Commissioner of Public Lands of the State of
5. New Mexico. Further, in such event, all provisions hereof which require
6. the furnishing of notices, information or data to the Director and/or
7. Supervisor shall be deemed to also include the Commission and said
8. Commissioner.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first hereinabove written, but effective as hereinabove provided, and have set opposite their respective names the dates of execution.

ATTEST:

M. F. Carr
M. F. Carr, Assistant Secretary

Date: July 26, 1968

TENNECO OIL COMPANY

By J. S. Collins
J. S. Collins, Vice President
Address: P.O. Box 1031
Midland, Texas 79701
Attention: District
Production Superintendent

Also send notices to:
Tenneco Oil Company
P. O. Box 2410
Denver, Colorado 80201
Attention: Division
Production Superintendent

UNIT OPERATOR; WORKING INTEREST OWNER AND RECORD OWNER

Date: _____

JOE W. CHERRY

Date: _____

MADELEINE M. CHERRY

Address: _____

(Include Zip Code)

Date: _____

JAMES C. VANDIVER

Date: _____

EVELYN J. VANDIVER

Address: _____

(Include Zip Code)

Date: _____

F. D. McCALLON, also known as
F. DORRAINE McCALLON

Address: _____
(Include Zip Code)

Date: _____

THOMAS G. WHIGHAM

Date: _____

VIRGINIA WHIGHAM

Address: _____

(Include Zip Code)

Date: _____

DAVE M. THOMAS, JR.

Date: _____

BARBARA S. THOMAS

Address: _____

(Include Zip Code)

Date: _____

CLAUDE C. KENNEDY

Date: _____

EDNA KENNEDY

Address: _____

(Include Zip Code)

Date: _____

CARL WHIGHAM, SR.

Date: _____

SUSIE ANN WHIGHAM

Address: _____

(Include Zip Code)

Date: _____

M. FINELL

Date: _____

KAREN FINELL

Address: _____

(Include Zip Code)

Date: _____

ERVING WOLF

Date: _____

WOLF

Address: _____

(Include Zip Code)

Date: _____

RAYMOND CHORNEY

Date: _____

CHORNEY

Address: _____

(Include Zip Code)

Date: _____

ALPHA HOTCHKISS

Date: _____

LESTER C. HOTCHKISS

Address: _____

(Include Zip Code)

(Corporate)

THE STATE OF COLORADO X
COUNTY OF DENVER X

The foregoing instrument was acknowledged before me this 26th day of July, 1968, by J. S. Collins, Vice President of Tenneco Oil Company a Delaware corporation, on behalf of said corporation.

Geraldine A. Lielsted
Notary Public in and for
Denver County, Colorado

My commission expires
My Commission expires June 29, 1971

(Corporate)

THE STATE OF _____ X
COUNTY OF _____ X

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

Notary Public in and for
_____ County, _____

My commission expires
_____.

(Husband & Wife)

THE STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 1967, by _____ and his wife, _____.

Notary Public in and for
_____ County, _____

My commission expires
_____.

(Individual)

THE STATE OF _____ X
COUNTY OF _____ X

The foregoing instrument was acknowledged before me this _____ day of _____, 1967, by _____.

Notary Public in and for
_____ County, _____

My commission expires
_____.

EXHIBIT "B"

Attached to and made a part of the Unit Agreement for the South
Hospah Unit Area, McKinley County, New Mexico.

1 81.40%
2 18.60

Tract No.	Description of Land	Number of Acres	Serial No. and Exp. Date of Lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
1	Section 12: Lots 1, 2, 3, 4, W/2 NE/4, E/2 NW/4, SW/4 NW/4	304.08	NM-081208 H.B.P. (3-31-71)	U.S.A. - 12½% (A11)	Tenneco Oil Company	See Page 2 of this Exhibit "B"	Tenneco Oil Company 100%
2	Section 12: Lots 5 and 6, NW/4 SE/4, N/2 SW/4 All in Township 17 North, Range 9 West, N.M.P.M.	171.82	NM-0536034 H.B.P. (3-31-74)	U.S.A. - 12½% (A11)	Tenneco Oil Company	See Page 2 of this Exhibit "B"	Tenneco Oil Company 100%

Total of 2 Federal Tracts, comprising 475.90 acres or 100% of the Unit Area.

EXHIBIT "B"

Attached to and made a part of the Unit Agreement for the South
Hospah Unit Area, McKinley County, New Mexico.

Schedule of Overriding Royalties

TRACT NO. 1:
OWNER

PERCENTAGE

M. Finell, whose wife is Karen Finell	.750%
Erving Wolf	1.125%
Raymond Chorney	1.125%
	<u>3.000%</u>

Production payment in the total amount of \$500,000.00 to be paid out of production from Tracts 1 and 2 as more particularly provided in that certain Assignment of Record Title to Oil and Gas Leases dated September 13, 1966, effective September 1, 1966, from Joe W. Cherry, et al, Assignors, to Tenneco Oil Company, Assignee, recorded in Book 33 at Page 56 of the Lease Records of McKinley County, New Mexico; reference is made to that certain Assignment for all purposes hereof. Said production payment, when due and payable, will be owned in the following proportions, to-wit:

Dave M. Thomas, Jr., whose wife is Barbara G. Thomas	12.500%
Claude C. Kennedy, whose wife is Edna Kennedy	6.250%
F. D. McCallon, also known as F. Dorraine McCallon	6.250%
Carl Whigham, Sr., whose wife is Susie Ann Whigham	35.000%
Thomas G. Whigham, whose wife is Virginia Whigham	15.000%
James C. Vandiver, whose wife is Evelyn J. Vandiver	12.500%
Joe W. Cherry, whose wife is Madeleine M. Cherry	12.500%
	<u>100.000%</u>

TRACT NO. 2:
OWNER

PERCENTAGE

Alpha L. Hotchkiss, whose husband is Lester C. Hotchkiss	2.00%
---	-------

Production payment in the total amount of \$500,000.00 to be paid out of production from Tracts 1 and 2 as more particularly provided in that certain Assignment of Record Title to Oil and Gas Leases dated September 13, 1966, effective September 1, 1966, from Joe W. Cherry, et al, Assignors, to Tenneco Oil Company, Assignee, recorded in Book 33 at Page 56 of the Lease Records of McKinley County, New Mexico; reference is made to that certain Assignment for all purposes hereof. Said production payment, when due and payable, will be owned in the following proportions, to-wit:

Dave M. Thomas, Jr., whose wife is Barbara G. Thomas	12.500%
Claude C. Kennedy, whose wife is Edna Kennedy	6.250%
F. D. McCallon, also known as F. Dorraine McCallon	6.250%

Carl Whigham, Sr., whose wife is Susie Ann Whigham	35.000%
Thomas G. Whigham, whose wife is Virginia Whigham	15.000%
James C. Vandiver, whose wife is Evelyn J. Vandiver	12.500%
Joe W. Cherry, whose wife is Madeleine M. Cherry	<u>12.500%</u>
	100.000%

EXHIBIT "C"

TO THE UNIT AGREEMENT

SCHEDULE OF TRACT PARTICIPATION

HOSPAH UNIT, MCKINLEY COUNTY, NEW MEXICO

TRACT NUMBER

TRACT PARTICIPATION

1

81.40%

2

18.60%

100.00%

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

The foregoing instrument was acknowledged before me this
day of 1968 by

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this
 day of _____ 1968 by _____

Notary Public

CONSENT AND RATIFICATION
SOUTH HOSPAH UNIT AGREEMENT
EMBRACING LANDS IN MCKINLEY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

P. O. Box 202

Farmington, New Mexico 87401

STATE OF New Mexico)

: ss

COUNTY OF San Juan)

The foregoing instrument was acknowledged before me this 20th day of September, 1968 by James C. Vandiver and

Evelyn J. Vandiver, his wife.

My Commission Expires:
My Commission Expires March 4, 1972

Louise Thomason
Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ 1968 by _____

My Commission Expires:

Notary Public

**CONSENT AND RATIFICATION
SOUTH HOSPah UNIT AGREEMENT
EMBRACING LANDS IN MCKINLEY COUNTY, NEW MEXICO**

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

STATE OF New Mexico)
COUNTY OF San Juan) : ss

F. D. McCallon

The foregoing instrument was acknowledged before me this
20th day of September 1968 by F. D. McCallon

My Commission Expires:
My Commission Expires March 4, 1972

Louise Thomason
Notary Public

STATE OF _____)
COUNTY OF _____) : ss

The foregoing instrument was acknowledged before me this
____ day of _____ 1968 by _____

My Commission Expires:

Notary Public

EMBRACING LANDS IN MCKINLEY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hoshpah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hoshpah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Barbara J. Thomas

STATE OF New Mexico)
COUNTY OF San Juan) ss

The foregoing instrument was acknowledged before me this 20 day of September 1968 by Lois M. Thomas, Jr.

My Commission Expires:
7-25-12

Notary Public

STATE OF San Diego)
COUNTY OF San Diego) ss

The foregoing instrument was acknowledged before me this 20 day of September 1968 by Barbara J. Skene

My Commission Expires:
1-2-72

Deputy Notary Public
Notary Public

CONSENT AND RATIFICATION
SOUTH HOSPAH UNIT AGREEMENT
EMBRACING LANDS IN MCKINLEY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

STATE OF New Mexico)
COUNTY OF San Juan) ss

Claude C. Kennedy
Edna Kennedy

The foregoing instrument was acknowledged before me this 11th day of September 1968 by Claude C. Kennedy, and

Edna Kennedy, his wife.
My Commission Expires: 11/5/70

Notary Public

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____ 1968 by _____

My Commission Expires: _____

Notary Public

Gil

CONSENT AND RATIFICATION
SOUTH HOSPAH UNIT AGREEMENT
EMBRACING LANDS IN MCKINLEY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

STATE OF California)
COUNTY OF Los Angeles) 2 SS

Marvin Finell
Karen Finell

The foregoing instrument was acknowledged before me this 10th day of September 1968 by Marvin Finell and Karen Finell



STATE OF _____)
COUNTY OF _____) : SS

Mary K. Brokish
Notary Public

The foregoing instrument was acknowledged before me this _____ day of _____ 1968 by _____

My Commission Expires: _____

Notary Public

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

Erving Wolf

STATE OF COLORADO)
) ss
COUNTY OF DENVER)

My Commission Expires:
5/19/71

Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this
 _____ day of _____ 1968 by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
SOUTH HOSPAH UNIT AGREEMENT
EMBRACING LANDS IN MCKINLEY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the South Hospah Unit Area embracing lands situated in McKinley County, New Mexico, which said Agreement is dated the 26th day of July, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of overriding royalties or other interests in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the South Hospah Unit Agreement, and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

STATE OF California)
COUNTY OF Fresno) ss

Lester C. Hotchkiss
Alpha L. Hotchkiss

The foregoing instrument was acknowledged before me this
20 day of September 1968 by _____

LESTER C. HOTCHKISS and ALPHA L. HOTCHKISS, his wife,

My Commission Expires:
2/18/72

Alvan N. Berg
Notary Public

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this
____ day of _____ 1968 by _____

My Commission Expires:

Notary Public

#3867

OIL CONSERVATION DIVISION
RECEIVED

'90 AUG 24 AM 9 22

May 30, 1989

United States Department of the Interior
Bureau of Land Management
435 Montano NE
Albuquerque, NM 87107

Re: Plan of Development for 1990
South Hospah Unit
Upper Hospah Unit
McKinley County, New Mexico

Gentlemen:

In compliance with federal regulations, Citation Oil & Gas Corp., as operator of the subject unit, submits in triplicate for your information and approval, its plan of development for the calendar year. Also included is a review of operations and performance for the unit.

The following tabulation reflects current and cumulative production data:

	December 1990 Volume	Total 1990 Volume	12/31/89 Cum.Vol.
Oil Production (Bbls)	1,589	21,209	3,124,097
Gas Production (MCF)	TSTM	TSTM	TSTM
Water Production (Bbls)	98,140	1,350,716	26,865,984
Water Injection (Bbls)	64,832	1,105,665	32,724,807
<u>Well Status</u>	<u>No. Wells 01/01/89</u>	<u>No. Wells 01/01/90</u>	
Oil Producing	14	14	
Gas Producing	0	0	
Water Injection	8	8	

Shut-In	9	9
Plugged & Abandoned	0	0
	----	----
TOTAL:	31	31

Review of Operations in 1989

There was no significant activity in 1989. We attempted to maintain as high a production level as possible.

Planned Development of 1990

There are currently no plans to drill additional wells in this unit. The unit is a mature waterflood and will continue to decline in oil production. Citation intends to produce as many wells as is economically feasible during the year. The economics of maintaining the producing and injection wells is highly sensitive to oil prices and operating expenses. These factors will be continuously monitored and used to determine which wells have to be shut in, if any.

If you have any questions or need additional information, please do not hesitate to call.

Very truly yours,

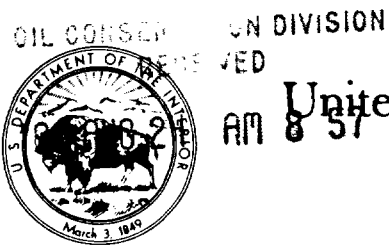


Stephen L. Robinson
Area Production Manager

SLR/wb

xc: Unit File
Jerry M. Crews
Tommy Deiss
Kevin Kane

1ltrslr



OIL CONSERVATION DIVISION
RECEIVED
AM 8 37

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
FARMINGTON RESOURCE AREA
1235 LAPLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401



IN REPLY REFER TO:

South Hospah Unit (POD)
3180 (019)

Citation Oil and Gas Corporation
16800 Greenspoint Park Drive
South Atrium, Suite 300
Houston, TX 77060-2304

AUG. 21 1990

Gentlemen:

One approved copy of your 1990 Plan of Development for the South Hospah unit area, McKinley County, New Mexico is enclosed. Such plan, proposing no plans to drill additional wells, was approved on this date.

The possibility of drainage by wells outside of the unit boundary may exist. You will be contacted at a later date about this possibility.

If you have any questions, please contact Kenny Howell, Petroleum Engineer, at the above address or telephone (505) 327-5344.

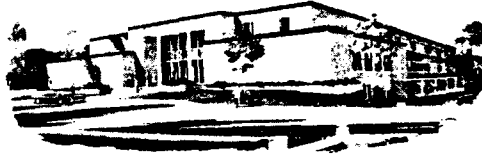
Sincerely,

John L. Keller, Chief
Branch of Mineral Resources

Enclosure

cc: New Mexico Oil Conservation Division, 310 Old Santa Fe Trail, Room 206,
Santa Fe, NM 87503

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER

Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

October 2, 1990

Mr. Robert W. Hogan, Sr. Reservoir Engineer
American Exploration Company
2100 Republic Bank Center
700 Louisiana
Houston, TX 77002-2725

Re: Hospah Sand Unit
McKinley County, New Mexico
1990 Plan of Development

Dear Mr. Standard

The Commissioner of Public Lands this date approved the 1990 Plan of Development for the Hospah Sand Unit. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the Unit Area and the need for further development may exist. You will be contacted at a later date regarding these possibilities.

If we may be of further help, please do not hesitate to contact Clyde Langdale at (505) 827-5791.

Sincerely,

W. R. HUMPHRIES

BY: *Floyd O. Prando*
Floyd O. Prando, Director
Oil, Gas & Minerals Division

cc: OCD
Unit Corresp.
Unit POD

3867

South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

13 AUG 1980

Tenneco Oil Company
Attn: J. M. Lacey
Penthouse
720 South Colorado Blvd.
Denver, Colorado 80222

Gentlemen:

One approved copy of your 1980 plan of development for the South Hospah unit area, McKinley County, New Mexico, is enclosed. Such plan, proposing a pilot in situ combustion project in the Lower Hospah reservoir, an air injectivity test in the Upper Hospah reservoir, and to continue waterflood operations, was approved on this date subject to like approval by the appropriate officials of the State of New Mexico.

Sincerely yours,

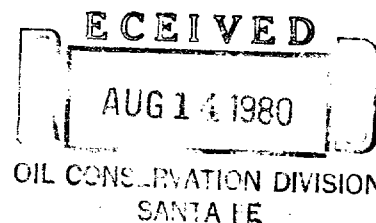
(ORIG. SGD.)-GENE F. DANIEL

for Floyd L. Stelzer
Acting Deputy Conservation
Manager
Oil and Gas

Enclosure

cc:

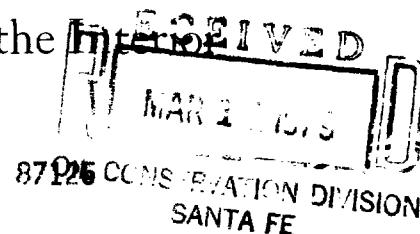
NMOCD, Santa Fe ✓
DS, Farmington (w/enclosure)





United States Department of the Interior

GEOLOGICAL SURVEY
P. O. Box 26124
Albuquerque, New Mexico



MAR 12 1979

No. 3867

Tenneco Oil Company
Attention: Mr. D. D. Myers
720 South Colorado Blvd.
Denver, Colorado 80222

Gentlemen:

One approved copy of your 1979 plan of development for the South Hospah unit area, McKinley County, New Mexico, is enclosed. Such plan, proposing to continue the present operation of waterflooding was approved on this date subject to like approval by the appropriate officials of the State of New Mexico.

It is requested that you provide this office with a copy of waterflood injection and production data in graphical form at your earliest convenience and include an updated copy of such graph with all subsequent plans of development.

Sincerely yours,

(ORIG. S&D.) JAMES W. SUTHERLAND

Oil and Gas Supervisor, SRMA

Enclosure

CC:
NMOCD, Santa Fe (1tr. only) * - - - - - This Copy for
Com. Pub. Lands, Santa Fe (1tr. only)

#3867

Oil and Gas Division

South Hospah Unit (POD)
3180 (019)

JUN 19 1989

Citation Oil and Gas Corporation
16800 Greenspoint Park Drive
South Atrium, Suite 300
Houston, TX 77060-2304

Gentlemen:

One approved copy of your 1989 Plan of Development for the South Hospah Unit area, McKinley County, New Mexico is enclosed. Such plan, proposing no plans to drill additional wells was approved on this date.

The possibility of drainage by wells outside of the unit boundary may exist. You will be contacted at a later date about this possibility.

If you have any questions, please contact Gail Keller at the above address or telephone (505) 327-5344.

Sincerely,

/s/ John L. Keller

John Keller
Chief, Branch of Minerals

Enclosure

cc: New Mexico Oil Conservation Division, State Land Office Building,
P. O. Box 2688, Santa Fe, NM 87504

3867

MAY 05 1988

South Hospah Unit
3180 (015)(POB)

Citation Oil & Gas Corp.
ATTN: Richard A. Porter
16800 Greenspoint Park Drive,
South Atrium, Suite 300
Houston, TX 77060-2304

Gentlemen:

An approved copy of your 1988 Plan of Development for the South Hospah Unit area, McKinley County, New Mexico is enclosed. Such plan, proposing to monitor the waterflood to determine what future action will be required was approved on this date subject to like approval by the appropriate officials of the State of New Mexico.

Starting with the 1989 Plan of Development, please provide the following information in your annual Plan of Development.

1. A summary of operations for the past year which should include up-to-date maps showing the latest geologic interpretations, all wells and participating area boundaries. Should there be no changes from one year to another, reference may be made to the most recent map submitted.
2. A list showing the status of all wells.
3. Performance curves covering the productive life of each horizon under a participating area, including injectivity curves.
4. Your plans for development within the unit area for the next year.
5. Pertinent data as to the effectiveness of the enhanced recovery project (if applicable). This information should include data on current and cumulative water injection rates, current and cumulative water, gas, and oil production and current water-oil ratios. A short discussion as to the general progress of the flood and any significant changes in any phase of the project should also be included.

All plans of development are to be filed in triplicate.

The possibility might exist of drainage by wells outside of the unit boundary. You will be contacted at a later date about this possibility.

If you have any questions, please contact Robert Kent at the above address or telephone (505) 761-4503.

Sincerely,

(Orig. Signed) - Sid Vogelpohl

Assistant District Manager
Mineral Resources

Enclosure

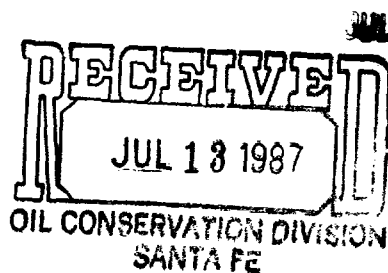
cc:

NMOCD, Santa Fe

NM-019

015:BKent:ag:4/27/88:4121M

3867



S. Hoshan (POB)
3180 (015)

Tenneco Oil Exploration and Production
ATTN: H.F. Huff
P.O. Box 3249
Englewood, CO 80155

Gentlemen:

An approved copy of your 1987 Plan of Development for the Santa Hoshan Unit area, McKinley County, New Mexico is enclosed. Such plan, proposing no additional development during 1987 due to current market conditions, is approved this date subject to like approval by the appropriate officials of the State of New Mexico.

If you have any questions, please contact Robert Kent at the above address or telephone (505) 761-4503.

Sincerely,

Robert Kent

Assistant District Manager
Mineral Resources

Enclosures

cc:

NM-016

✓ NMOCD, Santa Fe

Comm. of Pub. Lands, Santa Fe

015:RKent:klm:7-5-87:3267M



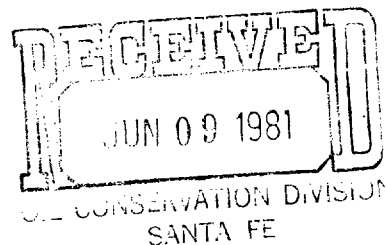
United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region

P. O. Box 26124
Albuquerque, New Mexico 87125

5 JUN 1981

3867



Tenneco Oil Company
Attention: J. M. Lacey
P. O. Box 3249
Englewood, Colorado 80155

Gentlemen:

An approved copy of your 1981 plan of development for the South Hospah unit area, McKinley County, New Mexico is enclosed. Such plan, proposing to continue to optimize present waterflood operations and normal artificial lift maintenance, was approved on this date subject to like approval by the appropriate officials of the State of New Mexico.

Sincerely yours,

(ORIG. SGD) JAMES W. SHELTON

FOR Gene F. Daniel
Deputy Conservation Manager
Oil and Gas

Enclosure

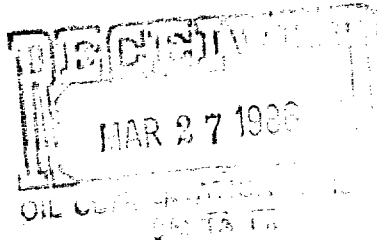
cc:
NMOCD, Santa Fe

#3867

Bureau of Land Management
Albuquerque District Office
Mining Division
P.O. Box 6770
Albuquerque, NM 87197-6770

South Hoshah
Unit POD
3180 (015)

MAR 25 1986



Tenneco Oil
ATTN: H.F. Rufft
P.O. Box 3249
Englewood, CO 80155

Gentlemen:

One approved copy of your 1986 Plan of Development for the South Hoshah Unit area, McKinley County, New Mexico is enclosed. Such plan, proposing the continuation of the waterflood operation and the evaluation of the possibility of expanding the waterflood system, is approved this date subject to like approval by the appropriate officials of the State of New Mexico.

If you have any questions, please contact Gail Keller at the above address or telephone (505) 766-2841.

Sincerely,

(Orig. Signed)- GARY A. STEPHENS

For District Manager

Enclosure(s)

cc:
NMOCD, Santa Fe
Micrographics 943B-1
Fluids Section FRAH
O&G Chron

015:GKeller:klm:3-20-86:1658M



State of New Mexico



Commissioner of Public Lands

PHIL R. LUCERO
COMMISSIONER

April 5, 1978

RECEIVED

APR 7 1978

Oil Conservation Commission

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Benson-Martin-Greer Drilling Corp.
221 Petroleum Center Building
Farmington, New Mexico 87401

no. 3967

Re: La Plata Mancos Unit,
San Juan County:
1978 PLAN OF DEVELOPMENT

ATTENTION: Mr. Albert R. Greer

Gentlemen:

The Commissioner of Public Lands has this date approved your 1978 Plan of Development for the La Plata Mancos Unit, San Juan County, New Mexico. Such plan proposes the drilling of one well in the N/2 of Section 29, Township 32 North, Range 13 West, N.M.P.M., resumption of gas injection, and conversion of unit well No. C-6 in the NE/4NW/4, of Section 6, Township 31 North, Range 13 West, N.M.P.M., to gas injection.

Enclosed is one approved copy for your files.

Please remit a Three (\$3.00) Dollar filing fee.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/EDG/s
encls.
cc:

OCC-Santa Fe, New Mexico ✓
USGS-Roswell, New Mexico
USGS-Albuquerque, New Mexico



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico 88201

3867

October 29, 1968

Tenneco Oil Company
Suite 1200, Lincoln Tower Building
Denver, Colorado 80203

MAIN OFFICE

OCT 31 AM 8 31

Attention: Mr. C. W. Nance

Gentlemen:

Your initial plan of operation covering secondary recovery operations for the South Hesper unit, McKinley County, New Mexico, has been approved on this date.

One approved copy of the plan is enclosed.

Sincerely yours,

(ORIG. SGD.) JOHN A. ANDERSON

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

cc:

Washington (w/cy plan)
Farmington (w/cy plan)
NMOCC, Santa Fe (ltr. only) ✓



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Denver 1857
Roswell, New Mexico 88201

IN REPLY REFER TO:

3867

July 28, 1970

Tenneco Oil Company
Suite 1200
Lincoln Tower Building
Denver, Colorado 80203

Attention: Mr. C. W. Nance

Gentlemen:

On July 28, 1970, your application for expansion of the South Hespah unit area, McKinley County, New Mexico, No. 14-08-0001-11561 was approved. Approval of the expansion, effective as of July 1, 1970, increases the unit area from 475.90 acres to 595.90 acres.

One approved copy of the application is enclosed. You are requested to furnish the New Mexico Oil Conservation Commission and other interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

cc:
Washington
ELM, Santa Fe
Farmington
NMOCC, Santa Fe ✓
Accounts

9K
MAIN OFFICE 00

70 Mar 3 PM 1

2867

Drawer 1857
Roswell, New Mexico 88201

February 27, 1970

Tenneco Oil Company
Suite 1200, Lincoln Tower Bldg.
Denver, Colorado 80203

Attention: Mr. C. W. Nance

Gentlemen:

Your plan of development for 1970, dated February 4, 1970, for the South Hospah unit area, McKinley County, New Mexico, has been approved on this date. Under the plan, Hospah well No. 3 will be converted to water injection, the unit area will be expanded to include Whigham well No. 1 in sec. 11, T. 17 N., R. 9 W., and Hospah well No. 37X in sec. 12, T. 17 N., R. 9 W., and a lease line agreement will be negotiated to cooperatively waterflood along the east and north unit boundaries. Three producing wells and four lease line water injection wells will be drilled.

One approved copy of the plan is enclosed.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

cc:
Washington (w/cy plan)
Farmington (w/cy plan)
NMOCC, Santa Fe (ltr. only) ✓

17
SP
17
8

3867

Drawer 1857
Roswell, New Mexico 88201

September 16, 1969

Tenneco Oil Company
Suite 1200, Lincoln Tower Building
Denver, Colorado 80203

Attention: Mr. C. W. Hance

Gentlemen:

Your supplemental plan of development for 1969, dated August 7, 1969, for the South Hesper unit area, McKinley County, New Mexico, has been approved on this date. Under the plan, well No. 8 will be recompleted as a unit well, wells Nos. 24 and 25 will be recompleted as account wells, and three additional unit wells, Nos. 29, 30, and 31, will be drilled.

One approved copy of the plan is enclosed.

Sincerely yours.

(ORIG. SGD.) JOHN A. ANDERSON

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

cc:
Washington (w/cy plan)
Farmington (w/cy plan)
NMOCC, Santa Fe (ltr. only) ✓

3867

SOUTH HOSPAH UNIT AREA — NEW MEXICO

(All Federal Land)

No. 14-08-0001-11561

Approved Oct. 29, 1968 - Effective Nov. 1, 1968 — 475.90 Acres

————— 0 —————

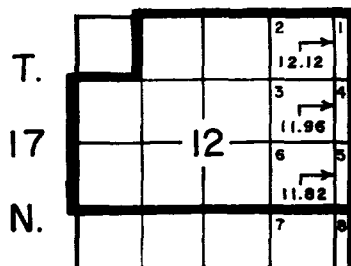
T. 17 N. R. 9 W., N.M.P.M.

(Exhibit "C" Governs Tract Participation)

CCC Santa Fe

————— Unit Area Boundary

R. 9 W.



JULY 1969

State of New Mexico
Oil Conservation Commission



October 2, 1968

Re: Case No. 3867
Order No. R-3513
Applicant:

Tenneco Oil Company

A. L. Porter, Jr.

Other Unit Division - State Land Office

'91 MAR 6 AM 8 57



February 26, 1991

U.S. Department of the Interior
Bureau of Land Management
435 Montano NE
Albuquerque, NM 87107

Re: Plan of Development 1991
South Hospah Unit
Upper Hospah Unit
McKinley County, New Mexico

Gentlemen:

In compliance with federal regulations, Citation Oil & Gas Corp., as operator of the subject units, submits in triplicate for your information and approval, its plan of development for the calendar year. Also included is a review of operations and performance for the units.

The following tabulation reflects current and cumulative production data:

	<u>12/90 Volume</u>	<u>Total 1990 Volume</u>	<u>12/31/90 Cum Vol.</u>
Oil Production (Bbls)	963	14,002	3,138,099
Gas Production (Mcf)	TSTM	TSTM	TSTM
Wtr Production (Bbls)	54,925	1,013,978	27,879,962
Wtr Injection (Bbls)	44,818	907,880	33,632,687

<u>Well Status</u>	<u>No. Wells 01/01/90</u>	<u>No. Wells 01/01/91</u>
Oil Producing	14	14
Gas Producing	0	0
Water Injection	8	8
Shut-In	9	9
Plugged & Abandoned	0	0
Total	31	31

Review of Operations in 1990

There was no significant activity in 1990. We attempted to maintain as high a production level as possible.

Planned Development of 1991

There are currently no plans to drill additional wells in this unit. The unit is a mature waterflood and will continue to decline in oil production. Citation intends to produce as many wells as is economically feasible during the year. The economics of maintaining the producing and injection wells is highly sensitive to oil prices and operating expenses. These factors will be continuously monitored and used to determine which wells have to be shut in, if any.

If you have any questions or need additional information, please do not hesitate to call.

Yours very truly,

CITATION OIL & GAS CORP.


Stephen L. Robinson
Area Production Manager

SR.188/pj

cc: Jerry Crews
Kevin Kane
Pat Johnson
Unit File
NM OCC