

SCHEDULE OF MINERAL OWNERSHIP STATUS
PROPOSED LA PLATA MANCOS UNIT
SAN JUAN COUNTY, NEW MEXICO

	TOTAL ACRES	FEDERAL	INDIAN	STATE	FEE
<u>T-32N, R-13W</u>					
Section 19	480.58	480.58			
20	640.00	640.00			
21	640.00	520.00			120.00
22	640.00	120.00			520.00
27	640.00				640.00
28	640.00	280.00			360.00
29	640.00	480.00			160.00
30	501.44	501.44			
31	487.88	487.88			
32	640.00	200.00		200.00	240.00
33	640.00	360.00			280.00
34 N $\frac{1}{2}$	320.00				320.00
<u>T-32N, R-14W</u>					
Section 36	690.00		690.00		
<u>T-31N, R-14W</u>					
Section 1	697.00		697.00		
11	640.00		640.00		
12	680.00		680.00		
<u>T-31N, R-13W</u>					
Section 4 W $\frac{1}{2}$	321.90				321.90
5	631.32	631.32			
6	504.81	504.81			
7	504.00	464.00			40.00
8	618.34	498.34			120.00
9 W $\frac{1}{2}$	320.00				320.00
TOTALS	12,517.27	6,168.37	2,707.00	200.00	3,441.90
		49.28%	21.63%	1.60%	27.49%
<u>SUMMARY</u>					
	UTE MOUNTAIN INDIAN	2,707.00 acres	21.63%		
	PUBLIC DOMAIN	6,168.37	49.28%		
	STATE	200.00	1.60%		
	FEE	3,441.90	27.49%		

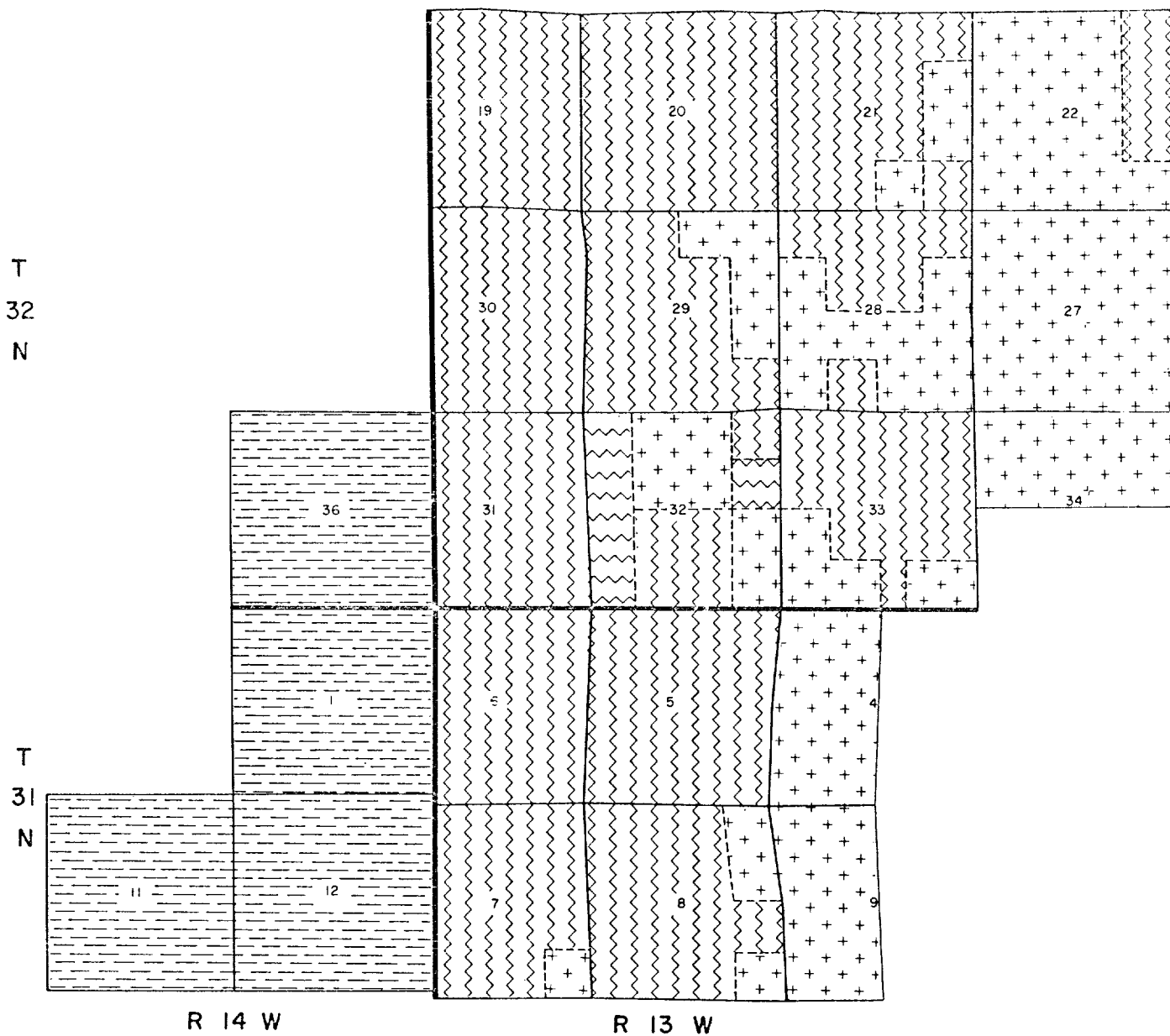
STRUCTURAL CONTOUR MAP





APR. EXHIBIT NO. A
CASE NO. 3967

LIBRARY MEMBER OF MANCOS SHALE FORMATION



LAND STATUS PLAT



		AREA	% OF UNIT AREA
	INDIAN	2,707.00	21.43% 48.28%
	PUBLIC DOMAIN	6,168.37	49.25% 21.85%
	STATE	200.00	1.60%
	FEE	3,441.90	27.49%

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION

APP. EXHIBIT NO. C

CASE NO. 3967

MAIN OFFICE 0000
168 Nov 15 AM 8 18

BENSON-MONTIN-GREER DRILLING CORP.

GENERAL OFFICE:
1390 FIRST NATIONAL BLDG.
OKLAHOMA CITY, OKLAHOMA 73102
PHONE 235-0546

221 PETROLEUM CENTER BUILDING
FARMINGTON, NEW MEXICO 87401
PHONE 325-8874

November 13, 1968

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

LMB

Attention: Mr. Elvis Utz

Re: REQUEST FOR SPECIAL HEARING
REGARDING LA PLATA MANCOS UNIT

Gentlemen:

We request that the Commission hold a special hearing in the month of November to consider approval of the unitization of the La Plata Mancos Unit Area, as set out on the attached schedule.

At this time it appears that we will have in the next few days adequate commitment of interests to this agreement of owners within the area to make it feasible to operate as a unit. In the event we fail to receive adequate commitment by the time of the hearing, we presume of course that it can be postponed.

We also understand, whether the hearing is held or not, that we will be required to pay for the advertising costs and reporting services, and are agreeable to these charges.

The name of the proposed unit is "La Plata Mancos Unit". It is located in San Juan County. The description of the land by section, total area, and breakdown of federal, Indian, State and fee lands is shown on the attached schedule.

Yours very truly,

BENSON-MONTIN-GREER DRILLING CORP.

BY:

Albert R. Greer
Albert R. Greer, President

ARG:ney

OF



CONTOURED ON ELECTRIC LOG
MARKER "E" WITHIN NIORRARA
MEMBER

CONTOUR INTERVALS:

100'

UNIT OBLIGATION WELLS

BOUNDARY OF PROPOSED
LA PLATA MANCOS UNIT

NOV., 1968

SCHEDULE OF MINERAL OWNERSHIP STATUS
PROPOSED LA PLATA MANCOS UNIT
SAN JUAN COUNTY, NEW MEXICO

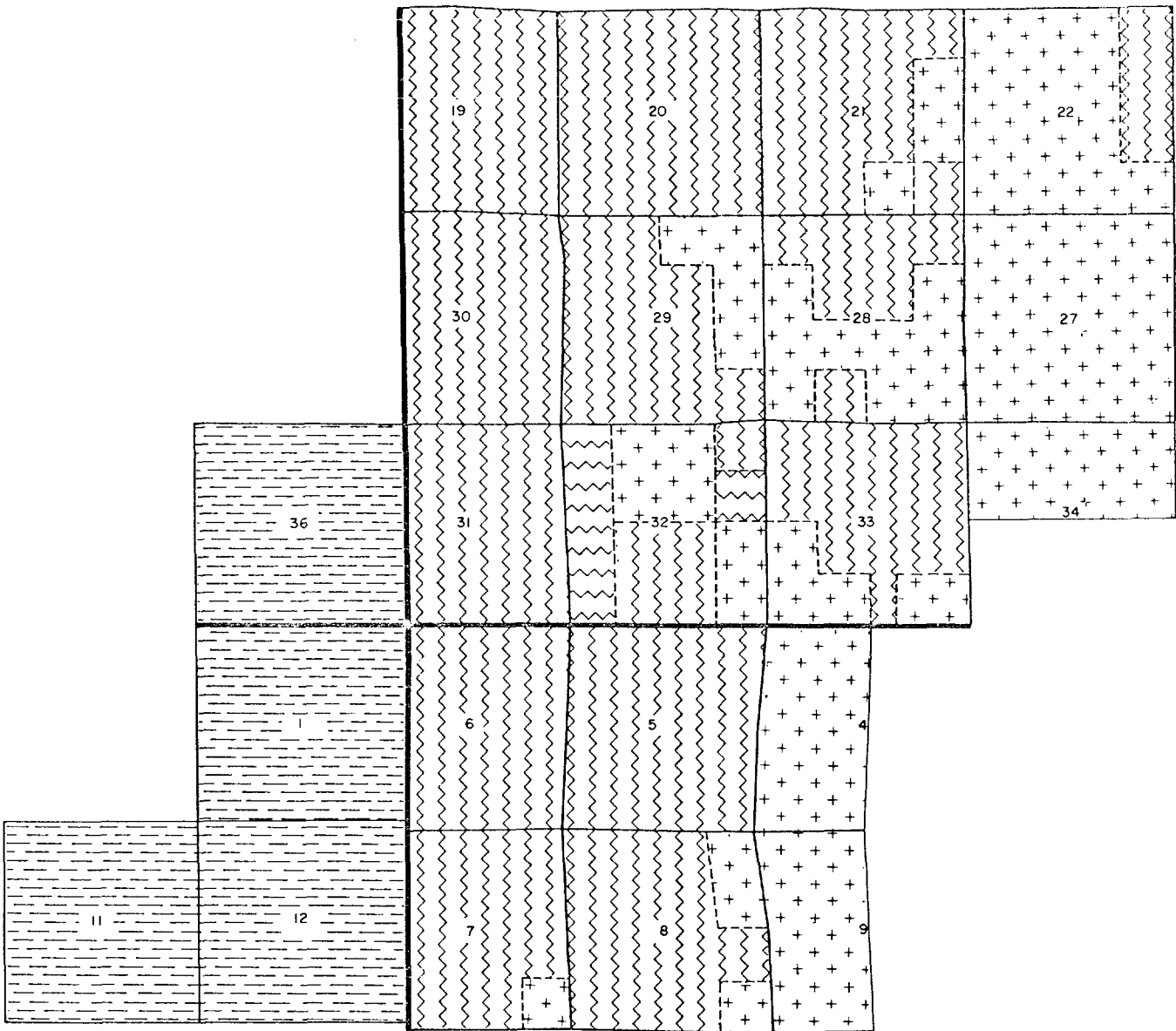
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LAND STATUS PLAT

C





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R 14 W

R 13 W

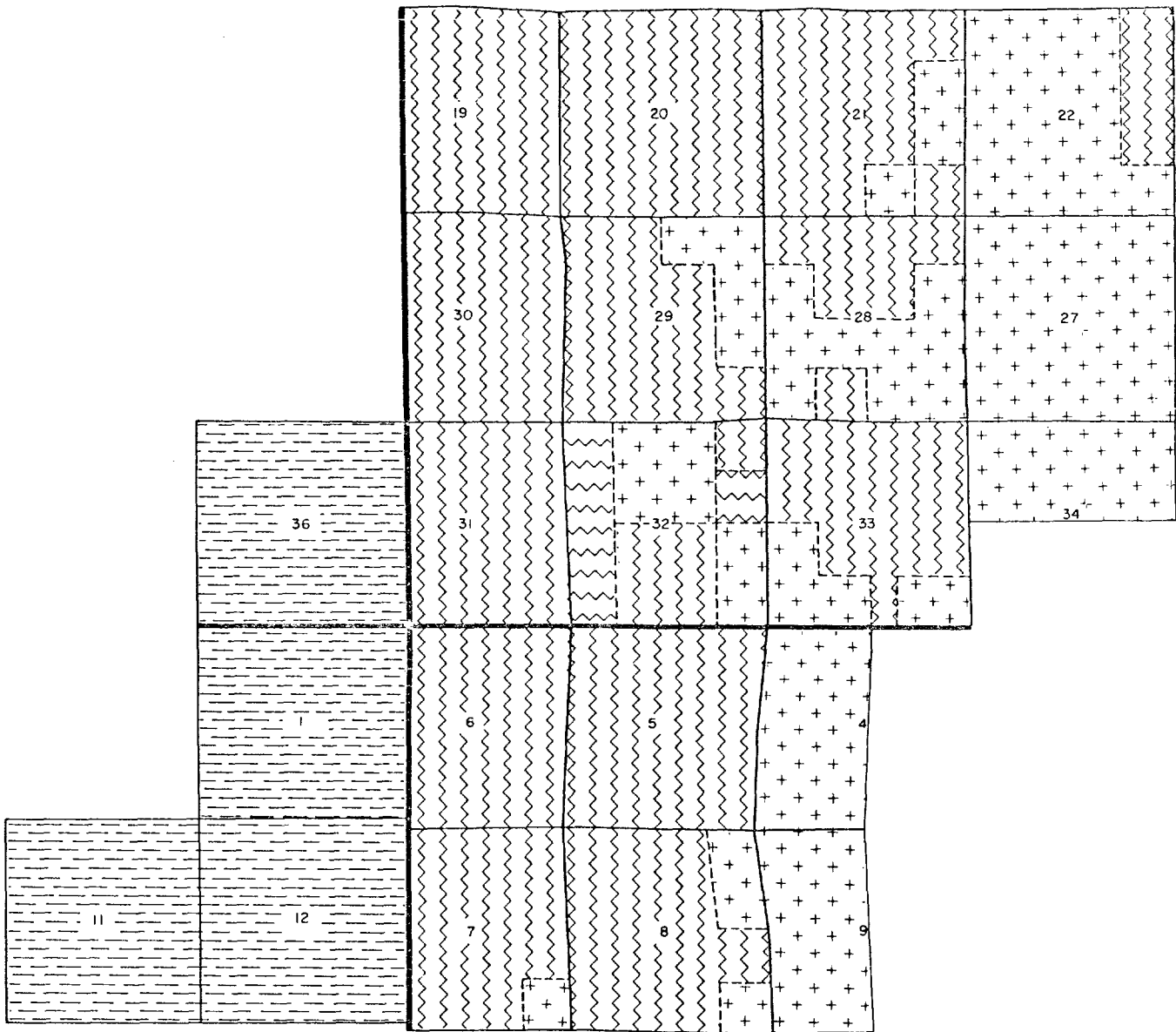
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LAND STATUS PLAT

C

T
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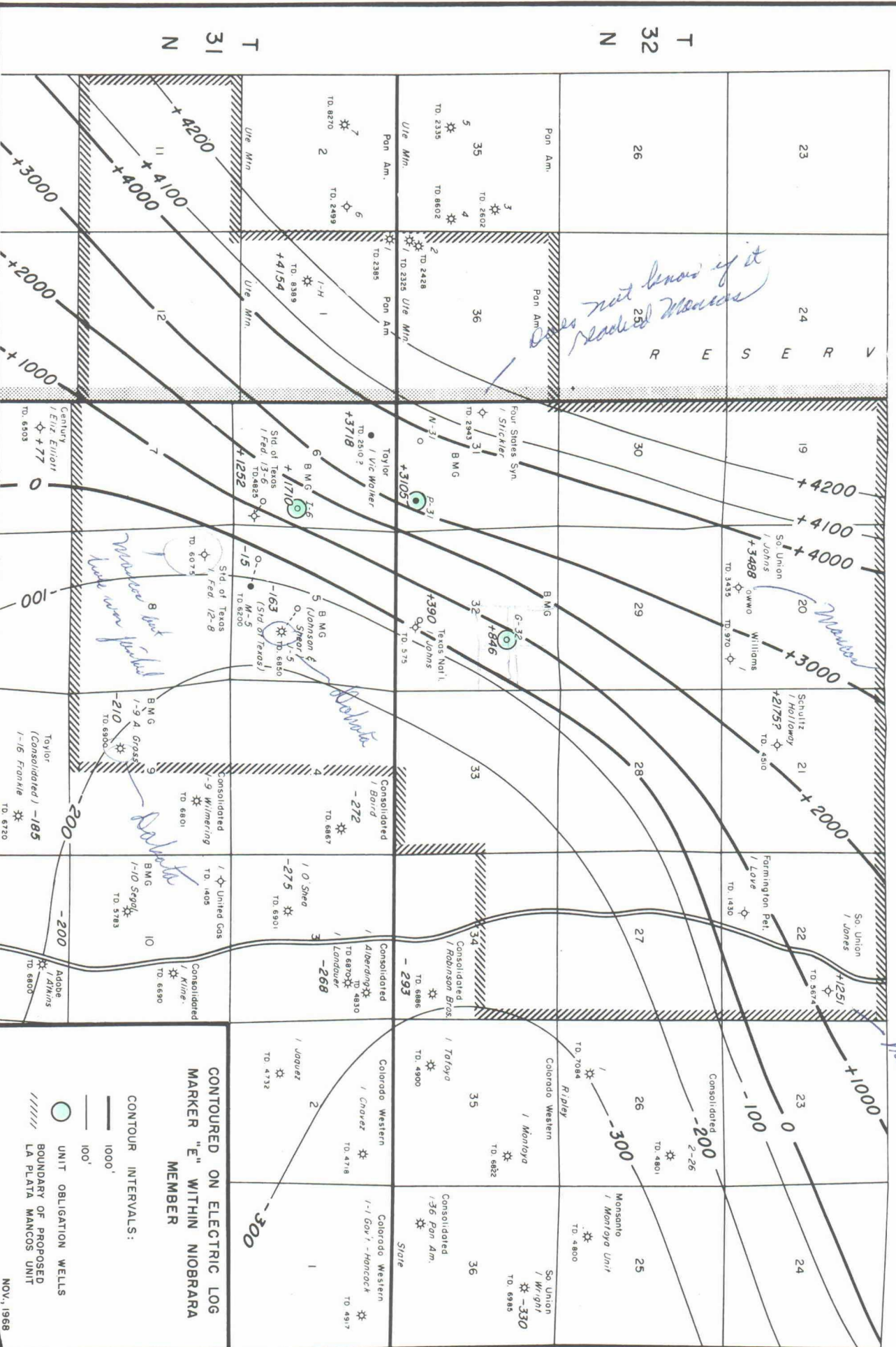
R 14 W

R 13 W

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STRUCTURAL CONTOUR MAP

OF
NIOBRARA MEMBER OF MANCOS SHALE FORMATION



UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
LA PLATA MANCOS UNIT AREA
COUNTY OF SAN JUAN
STATE OF NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of June, 1968,
by and between the parties subscribing, ratifying, or consenting
thereto, and herein referred to as the "parties hereto",

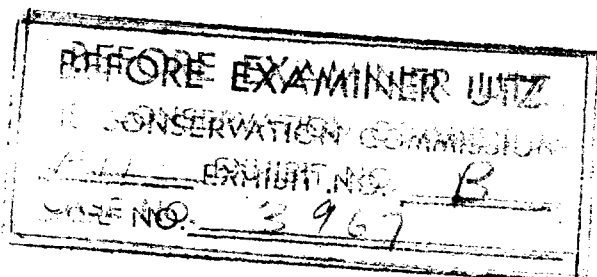
WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M.
Statutes 1953 Annotated) to consent to or approve this agreement on
behalf of the State of New Mexico, insofar as it covers and includes
lands and mineral interests of the State of New Mexico; and

WHEREAS, the rules and regulations governing the leasing of
Tribal Indian lands for oil and gas promulgated by the Secretary of
the Interior (25 CFR Part 171) under and pursuant to the Tribal Land
Mineral Leasing Act of May 11, 1938, 52 Stat. 347, 25 U.S.C. 396A



UNIT AGREEMENT
LA PLATA MANCOS UNIT
PAGE 1

et seq., and the oil and gas leases covering said Tribal Indian
Lands provide for the commitment of such leases to a cooperative or
unit plan of development or operations; and

WHEREAS, the Oil Conservation Commission of the State of New
Mexico is authorized by an Act of the Legislature (Art. 111. Ch. 65;
Vol 9, Part 2, Statutes 1953 Annotated) to approve this agreement
and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the La
Plata Mancos Unit Area covering the land hereinafter described to
give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve
natural resources, prevent waste, and secure other benefits
obtainable through development and operation of the area subject to
this agreement under the terms, conditions and limitations herein
set forth;

NOW, THEREFORE, in consideration of the premises and the
promises herein contained, the parties hereto commit to this agree-
ment their respective interests in the below-defined unit area, and
agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS.

The Act of May 11, 1938, and the Mineral Leasing Act of February
25, 1920, as amended, supra, and all valid pertinent regulations,
including operating and unit plan regulations, heretofore issued
thereunder and valid, pertinent and reasonable regulations hereafter
issued thereunder are accepted and made a part of this agreement as
to Federal and Indian lands, provided such regulations are not
inconsistent with the terms of this agreement, and as to State of
New Mexico lands and privately owned (fee) lands, the oil and gas
operating regulations in effect as of the effective date hereof govern-
ing drilling and producing operations, not inconsistent with the terms
hereof or the laws of the state in which the non-Federal and non-
Indian land is located, are hereby accepted and made a part of this

agreement.

2. UNIT AREA.

The area specified on the map attached hereto marked Exhibit A is hereby designated and recognized as constituting the unit area, containing 12,518.73 acres, more or less.

Exhibit A shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator.

Exhibit B attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than eight copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Land Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission". Area Director of the Albuquerque area office shall hereafter be referred to as the "Area Director", The Ute Mountain Tribe of Indians shall hereafter be referred to as "the Tribe".

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is

necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey (hereinafter referred to as the "Director"), or on demand of the Land Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Supervisor, the Land Commissioner and the Conservation Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years commencing the first day of the

month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. Elimination taking place after the completion of a well that has deferred elimination shall be effective on the first day after the time allowed to commence the next well. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and promptly notify all parties in interest. Any Tribal lease having only a portion of its lands within the Unit Area shall be segregated as to the part within and the part without the Unit Area, as of the effective date of this agreement, and the provisions of such lease shall apply separately to such segregated

portions, provided that the base lease shall never be deemed segregated into more than two portions by the combined effect of unitization. If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States) on a total-nonparticipating-acreage basis, respectively, with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LANDS AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove described lands committed to this agreement, as to the geologic horizon between the top of the Mancos Formation and the top of the Greenhorn member, are unitized under the terms of this agreement and are herein called "unitized substances", and said lands shall constitute said lands herein referred to as "unitized lands" or "lands subject to this agreement".

The geologic interval between the top of the Mancos Formation and the top of the Greenhorn member shall be construed to mean that geologic section equivalent to the interval from 4800 feet to 6535 feet in the Consolidated Oil and Gas Company No. 1-9 A. Gross well located 1650 feet from the south line and 1850 feet from the west line of Section 9, Township 31 North, Range 13 West, San Juan County, New Mexico, such depths and geologic characteristics being registered on that Lane Wells Induction Electrolog run July 15, 1961.

4. UNIT OPERATOR.

Benson-Montin-Greer Drilling Corp., with offices in Farmington,

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR.

Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners, the Director, the Land Commissioner and the Conservation Commission, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Conservation Commission as to State Lands unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

agent to represent them in any action to be taken hereunder.

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR.

Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by a majority vote select a successor Unit Operator; provided,

that, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new unit operator. Such selection shall not become effective until:

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to

relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner and one (1) true copy with the Conservation Commission, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.

Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY.

Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, or by the Land Commissioner if on State Land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Niobrara member of the Mancos Formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable

profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal or Indian land, of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, that further drilling of a particular well would be unwarranted or impractical; provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 6,500 feet. Within six (6) months following completion of the first test well (and whether or not such be completed as a producer, or plugged and abandoned) Unit Operator shall commence drilling a second test well at a location approved by the Supervisor and the Commissioner of Public Lands; and, within six (6) months from the completion of said second test well (and whether or not such be completed as a producer, or plugged and abandoned) Unit Operator shall commence the drilling of a third test well at a location approved by the Supervisor and the Commissioner of Public Lands. It is the intent of this section that Unit Operator shall initially drill three obligation wells to test the Niobrara member of the Mancos Formation. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal or Indian land, or of the Land Commissioner if on State land, or of the Conservation Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective, in order to

comply with the requirements of this section.

Following the completion of the initial three obligation wells, the Supervisor and Land Commissioner may modify the drilling requirements of this section by granting extensions of time. The only extension of time the Supervisor and Land Commissioner may grant, however, for meeting the critical dates for the initial three obligation wells in this section shall be based upon severe weather or other conditions beyond the control of Unit Operator, and shall be limited to a single extension of not more than three months for each well after the first. Nevertheless, in the event drilling of any of said initial three obligation wells has not been commenced timely, this Unit Agreement shall, effective the first day of the month following the default, terminate, or be contracted as hereinafter provided.

Notwithstanding anything in this Unit Agreement to the contrary except Section 25 (unavoidable delay), as above indicated Unit Operator shall drill three wells, each to test the Niobrara member of the Mancos Formation. The Unit Operator may select the order of drilling of said three wells, and may drill said three wells at a faster rate than is herein provided, including the drilling of more than one well at the same time. Any well commenced within the Unit Area on or after June 1, 1968, and projected to test the Niobrara member of the Mancos Formation at a location approved by the Supervisor and the Land Commissioner, shall count towards satisfying the three obligation test wells even if approval of the Unit Agreement is at a later date.

It is recognized that one or more wells capable of producing from the Niobrara member of the Mancos Formation have been completed on the land within the Unit Area and will be committed to the Unit Agreement. Upon the completion of a well drilled under the terms of this Agreement as a well capable of producing unitized substances in paying quantities, any well heretofore completed and the lands

around it reasonably proved to be productive in paying quantities shall be admitted to any participating area established for the pool or deposit in which such well is completed, effective as of the effective date of the initial participating area established as a result of a well drilled under the terms of this agreement and completed in the same pool or deposit as this well heretofore completed. Settlement for any production had from any wells heretofore completed shall be on a lease basis (conformable with any underlying agreements affecting the same) until the effective date that any such heretofore drilled well (and the land around it reasonably proved to be productive in paying quantities) is admitted to a participating area.

Upon failure to comply with the drilling provisions of this section, the Director and Land Commissioner may, after reasonable notice to the Unit Operator, and each Working Interest Owner, lessee and lessor, at their last-known addresses, declare this Unit Agreement terminated. In the event one or more of the three initial obligation test wells required by this section is completed as a well capable of producing unitized substances in paying quantities, and default occurs by failure to commence and/or drill the remaining initial obligation well or wells, then, in lieu of this Unit Agreement being terminated, the Unit Area shall be contracted to eliminate by legal subdivision all lands not entitled to be in a participating area established in accordance with the provisions of this Unit Agreement. The only penalty for failure to timely commence and/or drill the three initial obligation wells provided for herein shall be termination of this Unit Agreement or contraction of the Unit Area as in this section provided.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION.

Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, Unit Operator shall submit for the approval of the Supervisor and the Land

Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location of wells to be drilled, the proposed order and time for such drilling; and

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Land Commissioner.

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

completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except the initial obligations wells and such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY.

Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities from the pool or deposit for which the participating area is to be established. All lands in said schedule, on approval of the Supervisor and the Land Commissioner, will constitute the initial participating area, effective as of the date of completion of such well or the effective date of this Unit Agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof which must be produced as a single pool. Any two or more participating areas so established shall be combined into one

when it is demonstrated that such areas embrace portions of the same pool or deposit, effective as of such date as may be approved by the Supervisor and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information in which such revision is predicated; provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities from a specific pool or deposit; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the Ute Mountain Indian Tribe or the State of New Mexico, the amount of

1 which shall be determined by the Supervisor for Federal or Indian 1
2 lands and the Land Commissioner for State lands and the Conservation 2
3 Commission as to privately owned lands, shall be deposited as 3
4 directed by the Supervisor and the Land Commissioner respectively, 4
5 to be held as unearned money until a participating area is finally 5
6 approved and then applied as earned or returned in accordance with 6
7 a determination of the sum due as Federal, Indian and/or State 7
8 royalty on the basis of such approved participating area. 8

9 Whenever it is determined, subject to the approval of the 9
0 Supervisor, as to wells drilled on Federal or Indian land, and of 10
1 the Land Commissioner as to wells drilled on State land, and the 11
2 Conservation Commission as to wells on privately owned lands, that 12
3 a well drilled under this agreement is not capable of production 13
4 in paying quantities and inclusion of the land on which it is 14
5 situated in a participating area is unwarranted, production from 15
6 such well shall, for the purposes of settlement among all parties 16
7 other than working interest owners, be allocated to the land on 17
8 which the well is located so long as such land is not within a 18
9 participating area established for the pool or deposit from which 19
0 such production is obtained. Settlement for working interest 20
1 benefits from such a well shall be made as provided in the unit 21
2 operating agreement. 22

3 12. ALLOCATION OF PRODUCTION. 23

4 All unitized substances produced from each participating area 24
5 established under this agreement, except any part thereof used in 25
6 conformity with good operating practices within the participating 26
7 area from which it is produced, for drilling, operating, camp and 27
8 other production or development purposes, for repressuring or 28
9 recycling in accordance with a plan of development approved by the 29
0 Supervisor and the Land Commissioner, or unavoidably lost, shall be 30
1 deemed to be produced equally on an acreage basis from the several 31
2 tracts of unitized land of the participating area established for 32

such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. Royalty shall be due and payable on all gas produced from one participating area and used for repressuring or recycling purposes in another participating area. The first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be treated in the same manner as gas obtained from lands not subject to the agreement, see Section 14 hereof.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal and Indian land, the Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the non-conflicting provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land to test any interval for which a participating area has not been established or to test any interval for which a participating area has been established if such location is not within said participating area, unless within 90 days of

receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT.

The United States, the State of New Mexico, the Tribe, and other royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and

regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as

provided herein at the rate specified in the state oil and gas lease.

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

15. RENTAL SETTLEMENT.

Rental or minimum royalties due on leases committed hereto shall be paid by the Unit Operator or the working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States and the Tribe subject to this agreement shall be paid at the rate specified in the respective leases from the United States and the Tribe unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative, and on Ute Mountain Tribal leases, with the consent of the Tribe. Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

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

16. CONSERVATION.

Operations hereunder and production of unitized substances shall

be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulations.

17. DRAINAGE.

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with the prior consent of the Supervisor and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal and/or Indian leases and the Land Commissioner as to State leases.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED.

The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas of land committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal and Tribal leases and the Land Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal, Tribal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operating with respect to each and every part or separately owned tract subject to this agree-

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

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

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

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

(d) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration

date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2, and subsection (j) of this Section 18.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; Provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or

gas is produced in paying quantities".

(i) Any Tribal lease committed hereto having a part of its lands within the Unit Area shall be segregated as to (i) the lands lying inside the Unit Area described on Exhibits A and B, as to all formations thereunder, and (ii) the lands lying outside the Unit Area, as to all formations thereunder; and the provisions of such lease shall apply separately to such segregated parts commencing as of the effective date of unitization.

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

(k) Any lease, other than a Federal lease, Tribal lease or State lease, having only a portion of its lands committed hereto

shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

19. COVENANTS RUN WITH LAND.

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

20. EFFECTIVE DATE AND TERM.

This agreement shall become effective upon approval by the Land Commissioner, the Area Director and the Supervisor, as of the first of the month following the date of approval by the Supervisor, and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Supervisor and the Land Commissioner, or

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

the agreement is terminated with the approval of the Supervisor and Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of the working interests signatory hereto, with the approval of the Supervisor and Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of

prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Land Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Conservation Commission.

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

22. CONFLICT OF SUPERVISION.

Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation Commission and shall be exercised by it pursuant

to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. APPEARANCES.

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

24. NOTICES.

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

25. NO WAIVER OF CERTAIN RIGHTS.

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right

beyond his or its authority to waive.

26. UNAVOIDABLE DELAY.

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

27. NONDISCRIMINATION.

In connection with the performance of work on Federal lands under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 F.R. 12319) which are hereby incorporated by reference in this agreement.

The Unit Operator shall also comply with the terms and conditions of the Tribal leases while engaged in operations thereon with respect to the employment of available Indian labor.

28. LOSS OF TITLE.

In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal, Indian

and State land or leases, no payments of funds due the United States or the Ute Mountain Indian Tribe, or the State of New Mexico should be withheld, but such funds of the United States or the Tribe shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER.

If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Supervisor, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Land Commissioner and the Supervisor. Any oil and gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be

1 accompanied by appropriate joinder by the owner of the corresponding
2 working interest in order for the interest to be regarded as
3 committed hereto. Joinder to the unit agreement by a working
4 interest owner, at any time, must be accompanied by appropriate
5 joinder to the unit operating agreement. Except as may otherwise
6 herein be provided, subsequent joinders to this agreement shall
7 be effective as of the first day of the month following the filing
8 with the Supervisor and the Land Commissioner of duly executed
9 counterparts of all or any papers necessary to establish effective
10 commitment of any tract to this agreement unless objection to such
11 joinder is duly made within 60 days by the Supervisor or the Land
12 Commissioner, provided, that as to State lands all subsequent
13 joinders must be approved by the Land Commissioner.

14 30. COUNTERPARTS.

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

24 IN WITNESS WHEREOF, the parties hereto have caused this agree-
25 ment to be executed and set opposite their respective names the
26 date of execution.

27 UNIT OPERATOR AND
28 WORKING INTEREST OWNER

29 BENSON-MONTIN-GREER DRILLING CORP.

ATTEST:

30 Laura E. York
31 Assistant Secretary

30 BY: Alfred R. Greer
31 President

32 Date: 7-7-68

221 Petroleum Center Building
Farmington, New Mexico 87401

WORKING INTEREST OWNERS

PAN AMERICAN PETROLEUM CORPORATION

Date:

9/9/68

BY:

M. Hunter

APPROVED	
<i>SM</i>	
<i>WH</i>	

ATTORNEY IN FACT

Security Life Building
Denver, Colorado 80202

MOBIL OIL CORPORATION

Date:

9-24-68

BY:

J. M. Laughlin

ATTORNEY IN FACT

Post Office Box 1652
Casper, Wyoming 82601

APPROVED	
JT. INT.	<i>SM</i>
LEGAL	
TITLE R	<i>WH</i>
LAND	<i>SM</i>
CONT	<i>WH</i>
ENGR	
GAS	

Date:

10-17-68

Frank O. Elliott

Frank O. Elliott

Post Office Box 703
Roswell, New Mexico 88201

Date:

Oct 9, 1968

Ora R. Hall, Jr.

Ora R. Hall, Jr.

Post Office Box 1754
Roswell, New Mexico 88201

Date:

10 1968

Ernest A. Hanson

Ernest A. Hanson

Post Office Box 1515
Roswell, New Mexico 88201

WORKING INTEREST OWNERS
(CONTINUED)

UNION OIL COMPANY OF CALIFORNIA

BY: _____

Date: _____

Address: _____

STATE OF NEW MEXICO }
COUNTY OF SAN JUAN } SS.

The foregoing Unit Agreement was acknowledged before me
this 5th day of September, 1968, by ALBERT R. GREER,
President of BENSON-MONTIN-GREER DRILLING CORP., a corporation,
on behalf of said corporation.

My Commission Expires:

August 15, 1971

Virginia V. L...
Notary Public

STATE OF COLORADO }
COUNTY OF DENVER } SS.

The foregoing Unit Agreement was acknowledged before me
this 7th day of September, 1968, by H. F. Hunter,
ATTORNEY IN FACT of PAN AMERICAN PETROLEUM CORPORATION, a
corporation, on behalf of said corporation.

My Commission Expires:

My Commission expires July 26, 1970

Forrest M. ...
Notary Public

STATE OF WYOMING }
COUNTY OF NATRONA } SS.

The foregoing Unit Agreement was acknowledged before me
this 24th day of September, 1968, by J. M. McLaughlin,
Attorney in Fact of MOBIL OIL CORPORATION, a corporation, on
behalf of said corporation.

My Commission Expires:

January 16, 1972

Lillie Mackay
Notary Public

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

The foregoing Unit Agreement was acknowledged before me
this 17th day of October, 1968, by FRANK O. ELLIOTT.

My Commission Expires:

December 16, 1971

Gladys J. L. Coeg
Notary Public

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

The foregoing Unit Agreement was acknowledged before me
this 9th day of October, 1968, by ORA R. HALL, JR.

My Commission Expires:

December 16, 1971

Gladys J. L. Coeg
Notary Public

STATE OF NEW MEXICO }
COUNTY OF CHAVES } SS.

The foregoing Unit Agreement was acknowledged before me
this day of , 1968, by ERNEST A. HANSON

My Commission Expires:

March 29, 1971

Heidi Louise McElwain
Notary Public

STATE OF }
COUNTY OF } SS.

The foregoing Unit Agreement was acknowledged before me this
 day of , 1968, by ,
 of UNION OIL COMPANY OF CALIFORNIA, a
corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

EXHIBIT B

ATTACHED TO AND MADE A PART OF
THAT CERTAIN AGREEMENT ENTITLED

UNIT AGREEMENT, LA PLATA MANCOS UNIT AREA
SAN JUAN COUNTY, NEW MEXICO

OCTOBER 1, 1968

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSOR OF RECORD	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
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UNITED STATES LAND

NEW MEXICO SERIALS

1	TRIN RUSH	667.49	NM-0271	USA 12 1/2%	Frank O. Elliott 1/2	S.5: Lots 1 & 2	BKG Group #1
	S.5: Lots 1 & 2, SE1/4, SW1/4		H B P		Ora R.	N1/2SE1/4 Stuart Brady 1%	
	S.7: Lots 3 & 4, SE1/4SW1/4					Frank O. Elliott 2%	
	S.8: Lots 1,2,3, 4,7, & 8, SE1/4SW1/4					Ora R. Hall 2%	
						BKG 7 1/2%	

As to remaining lands:

Stuart Brady 1%
(Payable by
Elliott & Hall
40% interest)
Frank O. Elliott
2.3%
Ora R. Hall 2.3%.
BKG 6.9%

EXHIBIT B

ATTACHED TO AND MADE A PART OF
THAT CERTAIN AGREEMENT ENTITLED

UNIT AGREEMENT, LA PLATA MANCOS UNIT AREA
SAN JUAN COUNTY, NEW MEXICO

OCTOBER 1, 1968

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
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FEDERAL LAND

NEW MEXICO SERIALS

1	TRIN R13M S.5: Lots 1 & 2, S.5NE $\frac{1}{4}$, S.5E $\frac{1}{4}$ S.7: Lots 3 & 4, S.7SW $\frac{1}{4}$ S.8: Lots 1, 2, 3, 4, 7, & 8, S.8SW $\frac{1}{4}$	667.49	NM-0271 H B P	USA 12 $\frac{1}{2}$ %	Frank O. Elliott & Ora R.	S.5: Lots 1 & 2 N.5SE $\frac{1}{4}$ Stuart Brady 1% Frank O. Elliott 2% Ora R. Hall 2% BHG 7 $\frac{1}{2}$ %	BHG Group
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As to remaining lands:
Stuart Brady 1%
(Payable by
Elliott & Hall
40% interest)
Frank O. Elliott
2.3%
Ora R. Hall 2.3%
BHG 6.9%

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSOR OF RECORD	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST AND PERCENTAGE
2	<u>T32N, R13W</u> S.5: Lots 5,6,7, S.8, SW $\frac{1}{4}$ S.7: NW $\frac{1}{4}$, NE $\frac{1}{4}$, SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ S.8: Lot 6, W $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	751.86	NM-0271-A H B P	USA 12 $\frac{1}{2}$ %	Elizabeth Ann Elliott $\frac{1}{2}$ Ora R. Hall $\frac{1}{2}$	S.8: Lot 6 W $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ Stuart Brady 1% Frank O. Elliott 5 3/4% Ora R. Hall 5 3/4% As to remaining lands; Stuart Brady 1% (Payable out of Elliott & Hall 50% working in- terest.) Frank O. Elliott 2.3% Ora R. Hall 2.3% BNG 6.9%	S.5: Lots 5,6,7,8 S, SW $\frac{1}{4}$ BNG 60% Frank O. Elliott 20% Ora R. Hall 20%
3	<u>T32N, R13W</u> S.30: Lots 5,6,7, 8,9,10,11, 12,13,14, 15, & 16	501.44	NM-4282 1-31-78	USA 12 $\frac{1}{2}$ %	Mrs. M.A. Barton	Mrs. M.A. Barton 5% BNG 7 $\frac{1}{2}$ %	BNG Group #2
4	<u>T31N, R13W</u> S.8: Lot 5	42.51	NM-024907 H B P	USA 12 $\frac{1}{2}$ %	C.M. Paul		C. X. Paul
5	<u>T31N, R13W</u> S.7: Lots 1 & 2	11.80	NM-049136 H B P	USA 12 $\frac{1}{2}$ %	Howard W. Jennings		Howard W. Jennings
6	<u>T31N, R13W</u> S.6: SE $\frac{1}{4}$ SW $\frac{1}{4}$ S.7: E $\frac{1}{2}$ NW $\frac{1}{4}$	120.00	NM-074809 11-30-68	USA 12 $\frac{1}{2}$ %	BNG	Mt. M.A. Barton 12 $\frac{1}{2}$ %	BNG Group #1

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7	T31N, R13W S.7: NE&SW¼	40.00	NM-074809-A 11-30-68	USA 12½%	BWG	Mrs. M. A. Barton 12½%	BWG Group #1
2	T32N, R13W S.19: Lots 5,6,7, 8,9,10,11 12,13,14,15, & 16 S.20: W½NW¼ S.25: SW¼NW¼, W½ W½SE¼, SE¼SE¼ S.32: E½SW¼	1120.58	NM-0101125-A 7-31-70	USA 12½%	Northern Natural Gas Producing Company	George Freyer 3% Mobil 9½%	S.29: SW¼NW¼, W½, W½SE¼, SE¼SE¼ S.32: E½SW¼ BWG Group #1 As to Remaining Lands: BWG Group #1
9	T32N, R13W S.31: E½E¼, Lots 5,6,7,8,9, 10,11-& 12	487.83	NM-0226792 1-31-72	USA 12½%	BWG	The Mast Co. 12½%	BWG Group #2
10	T32N, R13W S.20: SW¼	160.00	NM-0467388 11-30-73	USA 12½%	R.M. Barton	Jack J. Grynberg 5% BWG 7½%	BWG Group #2
11	T32N, R13W S.21: NE¼NW¼, W½NE¼, W½SW¼SE¼, SE¼SW¼ S.23: NE¼NW¼, W½NE¼, E½NW¼, NW¼NW¼	760.00	NM-0553751 5-31-69	USA 12½%	Harry F. Schram	Hanson Oil Co. 12½%	BWG Group #1
12	T32N, R13W S.20: E½, E½NW¼	400.00	NM-0554173 6-30-74	USA 12½%	BWG	Mr. Cloud Drew 3% BWG 9½%	S.20: E½NW¼ BWG Group #2 As to Remaining Lands: BWG Group #1

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13	T32N, R13W S.6: Lots 1,2,3, 4, & 5 SE1/4, SE1/4NW1/4	253.12	NM-0556507 3-31-70	USA 12 1/2%	Lloyd B. Taylor	Skyline Oil Co. 12 1/2%	Lloyd Taylor 50% Victor H. Walker 50%
14	T32N, R13W S.32: W1/4SE1/4	80.00	NM-0557982 9-30-75	USA 12 1/2%	The Masi Co.	Robert L. Noble, Jr. 2%	ENG Group #1
15	T31N, R13W S.6: Lots 6 & 7, NE1/4SW1/4, SE1/4	211.69	NM-0560427 8-31-71	USA 12 1/2%	ENG	The Masi Co. 12 1/2%	ENG Group #1
<u>SANTA FE SERIALS</u>							
16	T32N, R13W S.22: E1/4NE1/4, NE1/4SE1/4	120.00	SF-076818-A H B P	USA 12 1/2%	Redfern Development Corp.	Mrs. Billie Dunlap Dee 3%	Redfern Development Corp.
17	T32N, R13W S.28: SE1/4SW1/4 S.32: NE1/4NE1/4 S.33: W1/4NE1/4, NW1/4, NE1/4SW1/4, W1/4SE1/4	440.00	SF-079007 H B P	USA 12 1/2%	Rincon Oil & Gas	Rincon Oil & Gas Corp. 12 1/2%	ENG Group #1
<u>INDIAN LAND</u>							
18	T32N, R14W S.36: All T31N, R14W S.1: NW1/4NE1/4, NW1/4 S.11: NW1/4NW1/4	930.00	14-20-604-62	IND 12 1/2%	Pan American	As to T32N, R14W S.36 Pan American 12 1/2% As to remaining lands: Pan American 7/8 of 12 1/2% Sinclair 20% of 1/8	ENG Group #2

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19	T32N, R13W S.1: NE $\frac{1}{4}$ NE $\frac{1}{4}$, S2NE $\frac{1}{4}$, S $\frac{1}{2}$ S.11: NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ S.12: All	1777.00	14-20-604-78	IND 12 $\frac{1}{2}$ %	Pan American	Pan American 12 $\frac{1}{2}$ %	BXG Group #2
20	T32N, R13W S.32: SE $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{2}$ W $\frac{1}{2}$	200.00	L-738 3-19-73	New Mexico 12 $\frac{1}{2}$ %	R. M. Barton	BXG 6 $\frac{1}{2}$ % Mobil 6 $\frac{1}{2}$ %	BXG Group #1
<u>STATE LAND</u>							
21	T32N, R13W S.22: SW $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ S.27: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$	154.00	3-12-73	Ed M. Thomas 12 $\frac{1}{2}$ %	BXG	BXG 12 $\frac{1}{2}$ %	BXG Group #1
<u>PATENTED LAND</u>							
22	T32N, R13W S.27: SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$	160.00	3-12-73	Alvin T. Talley 12 $\frac{1}{2}$ %	BXG	BXG 12 $\frac{1}{2}$ %	BXG Group #1
23	T32N, R13W S.22: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	3-13-73	Ernest L. Rothlisberger 12 $\frac{1}{2}$ %	BXG	BXG 12 $\frac{1}{2}$ %	BXG Group #1
24	T32N, R13W S.33: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ S.34: SW $\frac{1}{4}$ NW $\frac{1}{4}$	120.00	3-13-73	A.L. Robinson, et al 12 $\frac{1}{2}$ %	BXG	BXG 12 $\frac{1}{2}$ %	BXG Group #1
25	T32N, R13W S.27: W $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$	120.00	3-14-73	Carrie F. Knight, et al 12 $\frac{1}{2}$ %	BXG	BXG 12 $\frac{1}{2}$ %	BXG Group #1

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25	T32N, R13W S.27: SW $\frac{1}{4}$ SW $\frac{1}{4}$ S.28: SE $\frac{1}{4}$ SE $\frac{1}{4}$ S.33: NE $\frac{1}{4}$ NE $\frac{1}{4}$ S.34: NW $\frac{1}{4}$ NW $\frac{1}{4}$	160.00	3-20-73	Glen W. Steward et al 12 $\frac{1}{2}$ %	BMC	BMC 12 $\frac{1}{2}$ %	BMC Group #1
27	T32N, R13W S.27: NW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	60.00	4-18-73	F.T. Montoya 12 $\frac{1}{2}$ %	BMC	BMC 12 $\frac{1}{2}$ %	BMC Group #1
28	T32N, R13W S.29: NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$ S.32: W $\frac{1}{2}$ NE $\frac{1}{4}$ E $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$ S.33: W $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$	520.00	2-28-73	Harris et al 16.875%	BMC	BMC 8.125%	BMC Group #1
29	T32N, R13W S.21: SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ S.22: Portion of W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ Cont. 227.00 ac.	307.00	6-4-73	Boerne Royalty Corp. 12 $\frac{1}{2}$ %	BMC	BMC 12 $\frac{1}{2}$ %	BMC Group #1
30	T32N, R13W S.21: SW $\frac{1}{4}$ SW $\frac{1}{4}$ S.27: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ S.28: SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$	440.00	H B P	Neff, et al 12 $\frac{1}{2}$ %	Union oil	Dan W. Johnson 5% Monsanto Chemical 11.875%	Union Oil
31	T31N, R13W S.7: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	4-24-73	McGuinn, et al 12 $\frac{1}{2}$ %	BMC	BMC 12 $\frac{1}{2}$ %	BMC

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDE ROYALTY & PERCENTAGE	MORNING INTEREST AND PERCENTAGE
32	T31N, R13W S.6: SE1/4SW S.9: W1/4SW, SE1/4SW	160.00	H B P	Lula Harris et al 12 1/2%	BMC	BMC 12 1/2%	BMC Group #1
33	T31N, R13W S.8: E1/4SW S.9: W1/4SW	160.00	H B P	Archie Hill 12 1/2%	BMC	BMC 12 1/2%	BMC Group #1
34	T31N, R13W S.9: SE1/4SW NE1/4SW	80.00	H B P	Washburn 12 1/2%	BMC	BMC 12 1/2%	BMC Group #1
35	T31N, R13W S.9: NE1/4SW	40.00	H B P	Cardon, et al 12 1/2%	BMC	BMC 12 1/2%	BMC Group #1
36	T31N, R13W S.4: SW	160.00	9-6-72	Anna Pilch et al 12 1/2%	BMC	BMC 12 1/2%	BMC Group #1
37	T31N, R13W S.4: Lots 3 & 4, SE1/4	161.90	9-6-72	C.C. Cull- pepper, et al	BMC	BMC 12 1/2%	BMC Group #1
38	T32N, R13W S.34: S1/4NE, SE1/4NE	120.00	H B P	C.A. Farns- worth, et al	Union		Union
39	T32N, R13W S.27: SE1/4SW, SW1/4SW	180.00	H B P	Belarmino Montoya	Union		Union
40	T32N, R13W S.22: SE1/4SW S.27: NE1/4NE	80.00		Anna Knee, Estate	Not Leased		

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41	<u>T32N, R13W</u> S.22: Portion of WANEY, SEANW¼, NW¼SW¼, E½SW¼, NW¼SE¼	139.00		Monroe Fields, Estate	Not Leased		
42	<u>T32N, R13W</u> S.33: E½SE¼SE¼	20.00		Glen Hamblin Estate	Not Leased		

Benson-Montin-Greer Drilling Corp. Group #1
 Benson-Montin-Greer Drilling Corp. 76.67%
 Mobil Oil Corporation 11.67%
 Elliott and Hall 7.33%
 Ernest A. Hansen 4.05%

Benson-Montin-Greer Drilling Corp. Group #2
 Benson-Montin-Greer Drilling Corp. 58.87%
 Mobil Oil Corporation 2.60%
 Pan American Petroleum Corporation 38.53%