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UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

<u>Section</u>		<u>Page</u> <u>No.</u>
	ARTICLE 1	
	DEFINITIONS	
1.1	Unit Area	2
1.2	Commissioner	2
1.3	Commission	2
1.4	Unitized Formation	2
1.5	Unitized Substances	2
1.6	Working Interest	2
1.7	Royalty Interest	2
1.8	Royalty Owner	3
1.9	Working Interest Owner	3
1.10	Tract	3
1.11	Unit Operating Agreement	3
1.12	Unit Operator	3
1.13	Tract Participation	3
1.14	Unit Participation	3
1.15	Outside Substances	3
1.16	Oil and Gas Rights	3
1.17	Unit Operations	3
1.18	Unit Equipment	3
1.19	Unit Expense	3
1.20	Effective Date	4
	ARTICLE 2	
	EXHIBITS	
2.1	Exhibits	4
2.2	Reference to Exhibits	4
2.3	Exhibits Considered Correct	4
2.4	Correcting Errors	4
2.5	Filing Revised Exhibits	5
	ARTICLE 3	
	CREATION AND EFFECT OF UNIT	
3.1	Oil and Gas Rights Unitized	5
3.2	Personal Property Excepted	5

<u>Section</u>	<u>Page No.</u>
3.3 Amendments of Leases and Other Agreements	5
3.4 Continuation of Lease and Term Interests	5
3.5 Titles Unaffected by Unitization	6
3.6 Injection Rights	6
3.7 Development Obligation	6
ARTICLE 4	
PLAN OF OPERATIONS	
4.1 Unit Operator	7
4.2 Successor Unit Operator	7
4.3 Method of Operation	7
4.4 Change of Method of Operation	7
ARTICLE 5	
TRACT PARTICIPATIONS	
5.1 Tract Participation	8
5.2 Relative Tract Participations	9
ARTICLE 6	
ALLOCATION OF UNITIZED SUBSTANCES	
6.1 Allocation to Tracts	9
6.2 Distribution Within Tracts	10
6.3 Taking Unitized Substances in Kind	10
6.4 Failure to Take in Kind	10
6.5 Responsibility for Royalty Settlements	11
6.6 Royalty on Outside Substances	11
ARTICLE 7	
PRODUCTION AS OF THE EFFECTIVE DATE	
7.1 Oil or Liquid Hydrocarbons in Lease Tanks	11
7.2 Overproduction	12
ARTICLE 8	
USE OR LOSS OF UNITIZED SUBSTANCES	
8.1 Use of Unitized Substances	12
8.2 Royalty Payments	12
ARTICLE 9	
TRACTS TO BE INCLUDED IN UNIT	
9.1 Qualification of Tracts	12
9.2 Commitment of Interests to Unit	14

<u>Section</u>	<u>Page No.</u>
9.3 Acquisition of Uncommitted Interests	14
9.4 Revision of Exhibits	14
ARTICLE 10 TITLES	
10.1 Removal of Tract from Unit Area	14
10.2 Revision of Exhibits	15
10.3 Working Interest Titles	15
10.4 Royalty Interest Titles	15
10.5 Production Where Title Is in Dispute	15
10.6 Payment of Taxes to Protect Title	16
ARTICLE 11 EASEMENTS OR USE OF SURFACE	
11.1 Grant of Easements	16
11.2 Use of Water	16
11.3 Surface Damages	16
ARTICLE 12 ENLARGEMENTS OF UNIT AREA	
12.1 Enlargements of Unit Area	16
12.2 Determination of Tract Participation	17
12.3 Effective Date	17
ARTICLE 13 TRANSFER OF TITLE - PARTITION	
13.1 Transfer of Title	17
13.2 Waiver of Rights to Partition	17
ARTICLE 14 RELATIONSHIP OF PARTIES	
14.1 No Partnership	18
14.2 No Joint Refining or Marketing	18
14.3 Royalty Owners Free of Costs	18
14.4 Information to Royalty Owners	18
ARTICLE 15 LAWS AND REGULATIONS	
15.1 Laws and Regulations	18
ARTICLE 16 FORCE MAJEURE	
16.1 Force Majeure	18

SectionPage
No.ARTICLE 17
EFFECTIVE DATE

17.1	Effective Date	19
17.2	Ipsso Facto Termination	19
17.3	Certificate of Effectiveness	20

ARTICLE 18
TERM

18.1	Term	20
18.2	Termination by Working Interest Owners	20
18.3	Effect of Termination	20
18.4	Salvaging Equipment upon Termination	20
18.5	Certificate of Termination	20

ARTICLE 19
EXECUTION

19.1	Original, Counterpart, or Other Instrument	21
19.2	Joinder in Dual Capacity	21

ARTICLE 20
GENERAL

20.1	Amendments Affecting Working Interest Owners	21
20.2	Action by Working Interest Owners	21
20.3	Lien and Security Interest	21
20.4	Non-discrimination	21

ARTICLE 21
SUCCESSORS AND ASSIGNS

21.1	Successors and Assigns	21
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EXHIBIT "A"

EXHIBIT "B"

EXHIBIT "C"

EXHIBIT "D"

UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the first day of May,
1974, by the parties who have signed the original of this instrument, a
counterpart thereof, or other instrument agreeing to become a party
hereto,

W I T N E S S E T H

WHEREAS, in the interest of the public welfare, to promote con-
servation and increase the ultimate recovery of Unitized Substances from
the South Hobbs (Grayburg-San Andres) Field, in Lea County, New Mexico;
and to protect the rights of the owners of interests therein, it is
deemed necessary and desirable to enter into this agreement to unitize
the Oil and Gas Rights in and to the Unitized Formation in order to
conduct Unit Operations as herein provided;

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Section 3, Chapter 88,
Laws of 1943, as amended by Section 1, Chapter 162, Laws of 1951, Chapter 7,
Article 11, Section 39, New Mexico Statutes 1953 anno.) to consent to or
approve this agreement on behalf of the State of New Mexico insofar as
it covers and includes lands and mineral interests of the State of New
Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Section 3, Chapter 88,
Laws of 1943, as amended by Section 1, Chapter 162, Laws of 1951, Chapter 7,
Article 11, Section 41, New Mexico Statutes 1953 anno.) to amend with
the approval of the lessee any oil and gas lease embracing State lands
so that the length of the term of said lease will coincide with the
terms of this agreement; and

WHEREAS, the Oil Conservation Commission of the State of New
Mexico is authorized by law (Article 31, Chapter 65, Volume 9, Part 2, New
Mexico Statutes 1953 anno.) to approve this agreement and the conser-
vation provisions hereof:

NOW, THEREFORE, in consideration of the premises and of the mutual
agreements herein contained, it is agreed as follows:

ARTICLE 1 DEFINITIONS

As used in this agreement:

1.1 Unit Area is the land described by Tracts in Exhibit "B" and shown on Exhibit "A" as to which this agreement becomes effective or to which it may be extended as herein provided.

1.2 Commissioner is the Commissioner of Public Lands of the State of New Mexico.

1.3 Commission is the Oil and Gas Conservation Commission of the State of New Mexico.

1.4 Unitized Formation is the subsurface portion of the Unit Area known as the Grayburg and San Andres formation of Permian age in the stratigraphic interval between the depths of 3,698 feet and 5,347 feet below the Kelly Bushing on the Borehole Compensated Sonic Log - Gamma Ray dated July 9, 1969, of the Shell Oil Company State "A" No. 7 located 1,930 feet FNL and 660 feet FEL of Section 32-18S-38E, Lea County, New Mexico.

1.5 Unitized Substances are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than Outside Substances within or produced from the Unitized Formation.

1.6 Working Interest is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, the owner of which interest is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof. A Royalty Interest created out of a Working Interest subsequent to the execution of this agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this agreement and in the Unit Operating Agreement.

1.7 Royalty Interest is a right to or an interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.8 <u>Royalty Owner</u> is a party hereto who owns a Royalty Interest.	1
1.9 <u>Working Interest Owner</u> is a party hereto who owns a Working Interest.	2 3
1.10 <u>Tract</u> is the land described as such and given a tract number in Exhibit "B".	4 5
1.11 <u>Unit Operating Agreement</u> is the agreement entered into by Working Interest Owners, having the same Effective Date as this agreement, entitled "Unit Operating Agreement, South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico."	6 7 8 9
1.12 <u>Unit Operator</u> is the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as a Working Interest Owner.	10 11 12
1.13 <u>Tract Participation</u> is the percentage shown on Exhibit "C" for allocating Unitized Substances to a Tract.	13 14
1.14 <u>Unit Participation</u> of a Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract that qualifies for inclusion within the Unit Area by the Tract Participation of such Tract.	15 16 17 18
1.15 <u>Outside Substances</u> are substances purchased or otherwise obtained for a consideration by Working Interest Owners and injected into the Unitized Formation.	19 20 21
1.16 <u>Oil and Gas Rights</u> are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances or to share in the production so obtained or the proceeds thereof.	22 23 24 25
1.17 <u>Unit Operations</u> are all operations conducted pursuant to this agreement and the Unit Operating Agreement.	26 27
1.18 <u>Unit Equipment</u> is all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.	28 29 30
1.19 <u>Unit Expense</u> is all costs, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.	31 32 33

1.20 Effective Date is the time and date this agreement becomes effective as provided in Section 17.1.

ARTICLE 2 EXHIBITS

2.1 Exhibits. The following exhibits, which are attached hereto, are incorporated herein by reference:

2.1.1 Exhibit "A" is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.2 Exhibit "B" is a schedule that describes each Tract in the Unit Area and percentage and kind of oil and gas interest in each such Tract.

2.1.3 Exhibit "C" is a schedule showing individual Tract Descriptions and Tract Participations.

2.1.4 Exhibit "D" is a form of Indemnity Agreement required under the provisions of Section 9.1.3 hereof.

2.2 Reference to Exhibits. When reference is made to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

2.3 Exhibits Considered Correct. Exhibits "A," "B," and "C" shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date, should have been divided into more than one Tract or that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of the Working Interest Owners and the Commissioner, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any reevaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 7 A.M. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibits.

2.5 Filing Revised Exhibits. If an exhibit is revised, Unit Operator shall execute an appropriate instrument with the revised exhibits attached and file two copies with the Commissioner and one copy for record in Lea County, New Mexico.

ARTICLE 3 CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit "B" and all Oil and Gas Rights of Working Interest Owners in and to said lands are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by Working Interest Owners. The rights and interests therein as among Working Interest Owners are set forth in the Unit Operating Agreement.

3.3 Amendments of Leases and Other Agreements. The provisions of the various Leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts or the production therefrom, are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Lease and Term Interests. Unit Operations conducted on any part of the Unit Area shall be considered with respect to leases or term mineral or royalty interests as follows:

3.4.1 Production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, or other Unit Operations shall be considered as production from or operations upon each Tract; and such production or operations shall continue in effect each lease or term mineral or royalty interest as to all lands and formations covered thereby just as if such operations were conducted on and as if a well were producing from each Tract.

3.4.2 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.

3.4.3 Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the Effective Date hereof. Provided, however, that, notwithstanding any of the provisions of this agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is or has heretofore been discovered in paying quantity, on some part of the lands embraced in such lease committed to this agreement or so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this agreement, allocated to the portion of the lands covered by such lease committed to this agreement or, at any time during the term hereof, as to any lease that is valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or improved recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein should remain in full force and effect so long as such operations are diligently prosecuted; and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to Oil and Gas Rights by any party hereto to any other party or to Unit Operator.

3.6 Injection Rights. Royalty Owners hereby grant Working Interest Owners the right to inject into the Unitized Formations any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, together with the right to drill, use, and maintain injection wells on the Unit Area and to use for injection purposes any nonproducing or abandoned wells or dry holes and any producing wells completed in the Unitized Formation.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from any obligation to develop reasonably as a whole the lands and leases committed hereto.

ARTICLE 4
PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are concurrently herewith entering into the Unit Operating Agreement, designating Amoco Production Company as the initial Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this agreement and the Unit Operating Agreement. If there is any conflict between such agreements, this agreement shall govern.

4.2 Successor Unit Operator. Unit Operator may resign at any time. Upon the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of at least seventy-five percent (75%) of the voting interest remaining after excluding the voting interest of the Unit Operator that resigned or was removed. A Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator and the selection and acceptance shall be subject to the approval of the Commissioner. If no Unit Operator is selected as herein provided, the Commissioner at his election may declare this Unit Agreement terminated. In voting under this Section 4.2, each Working Interest Owner shall have a voting interest equal to its Unit Participation at the time of the vote.

4.3 Method of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, as soon as practicable after the Effective Date hereof, make necessary arrangements for commencement of improved recovery operations in the Unitized Formation and the use or construction of necessary plants and facilities therefor, in order that such operations may be initiated within a reasonable time after such facilities are ready for operation. Unit Operator shall furnish the Commissioner a copy of the order of the Commission approving the initiation of improved recovery operations.

4.4 Change of Method of Operation. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

Unit Operator shall keep the Commissioner informed of any changes in any method of operation by furnishing the Commissioner a copy of the order of the Commission authorizing such changes.

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ARTICLE 5 TRACT PARTICIPATIONS

5.1 Tract Participation. The Tract Participation of each Tract is shown in Exhibit "C" and was determined and approved by the Working Interest Owners as follows:

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Tract Participation Percentage

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Phase I: $100 \times A$

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Phase II: $100 \times (50\% A + 25\% B + 12.5\% C + 12.5\% D)$

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Phase III: $100 \times (70\% E + 7.5\% A + 7.5\% D + 7.5\% F + 7.5\% G)$

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Where A = Ratio of the value of oil and gas production from each Tract to the summation of the value of oil and gas production from all Tracts in the Unit Area during the period July 1, 1972, through June 30, 1973.

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B = Ratio of original productive acres for each Tract to the summation of the original productive acres for all Tracts in the Unit Area.

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C = Ratio of the ultimate primary oil recovery from each Tract to the summation of the ultimate primary oil recovery from all Tracts in the Unit Area.

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D = Ratio of the cumulative oil production to July 1, 1973, from each tract to the summation of the cumulative oil production to July 1, 1973, for all tracts in the Unit Area.

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E = Ratio of the secondary oil reserves for each Tract to the summation of the secondary oil reserves for all Tracts in the Unit Area.

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F = Ratio of the original oil-in-place for each Tract to the summation of original oil-in-place for all Tracts in the Unit Area.

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G = Ratio of the redistributed primary oil reserves for each Tract to the summation of redistributed primary oil reserves for all Tracts in the Unit Area.

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The Tract Participations as shown in Exhibit "C" are accepted and approved by the parties hereto as being correct, fair and equitable.

5.1.1 Phase I Tract Participation shall begin on the Effective Date of this agreement and continue until the first day of the month next following the date when the cumulative oil production from the Unitized Formation underlying all Tracts described in original Exhibit "B" attached hereto equals six million four hundred thousand (6,400,000) barrels as determined from the production reports (currently known as C-115 reports) filed with the New Mexico Oil Conservation Commission. Phase II Tract Participation shall begin on the termination of Phase I and continue until the first day of the month next following the date when the cumulative oil production from the Unitized Formation underlying all Tracts described in original Exhibit "B" attached hereto equals six million four hundred thousand (6,400,000) barrels from and after the termination date of Phase I, as determined from the production reports filed with the New Mexico Oil Conservation Commission. Phase III shall begin with the termination of Phase II and continue for the remainder of the term of this agreement. The Unit Operator shall advise the Commissioner of changes in Tract Participation from Phase I to Phase II and from Phase II to Phase III on or before the effective date of each such change.

5.1.2 In the event less than all Tracts as described in original Exhibit "B" attached hereto, are qualified for inclusion in the Unit Area on the Effective Date hereof, the total number of barrels of oil to be produced before beginning Phase II and Phase III as designated in Section 5.1.1 shall remain at 6,400,000 barrels, respectively; however, oil produced from all Tracts in the Unit Area as depicted on Exhibit "A" attached hereto, qualified and non-qualified, shall count toward each required total of 6,400,000 barrels of oil.

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

ARTICLE 6 ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or

less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this agreement not been entered into and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests in the absence of an agreement providing for a different division shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payments which depend upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells located thereon which are completed in the Unitized Formation on the Effective Date; however, if any Tract has no well thereon completed in the Unitized Formation on the Effective Date, the Tract shall for the purpose of this determination be deemed to have one such well thereon.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owner of such portion. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of Unitized Substances.

6.4 Failure to Take in Kind. If any party fails to take in kind or separately dispose of such party's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the party owning the share, to purchase or sell to others such share; however, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances; but in no event

shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners of each affected Tract or a party designated by such Working Interest Owners who shall distribute such proceeds to the parties entitled thereto. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days' notice of such intended sale.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract shall be responsible for the payment of all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances and shall indemnify all parties hereto, including Unit Operator, against any liability for such payment.

6.6 Royalty on Outside Substances. If any Outside Substances consisting of natural gases are injected into the Unitized Formation, seventy-five percent (75%) of any like substances contained in Unitized Substances subsequently produced and sold or used for other than Unit Operations, shall be deemed to be a part of the Outside Substance so injected until the total volume deemed to be such Outside Substance equals the total volume of such Outside Substance so injected. If any Outside Substance which prior to injection is liquefied petroleum gas or other liquid hydrocarbons is injected into the Unitized Formation, ten percent (10%) of all Unitized Substances produced and sold after one year from the time the injection of such Outside Substance was commenced shall be deemed to be a part of the Outside Substance so injected until the total value of the production deemed to be such Outside Substance equals the total cost of the Outside Substance so injected. Such ten percent (10%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as hereinabove provided, if both liquefied petroleum gas or other liquid hydrocarbons and natural gasses are injected. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

ARTICLE 7 PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil or Liquid Hydrocarbons in Lease Tanks. Unit Operator shall gauge or otherwise determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formation that is in lease and power-oil tanks as of 7 A.M. on the Effective Date. Oil or other liquid hydrocarbons in treating vessels, separation equipment, and

tanks below pipeline connections shall not be considered to be merchantable. Any merchantable oil or other liquid hydrocarbons that are a part of oil attributable to the prior allowable of the wells from which they were produced shall remain the property of the parties entitled thereto as if this agreement had not been entered into. Any such merchantable oil or other liquid hydrocarbons not promptly removed may be sold by Unit Operator for the account of the Working Interest Owners entitled thereto who shall pay all royalty due thereon under the provisions of applicable leases or other contracts. An oil or liquid hydrocarbons in excess of that attributable to the prior allowable of the wells from which they were produced shall be regarded as Unitized Substances produced after the Effective Date.

7.2 Overproduction. If, as of the Effective Date, any Tract is overproduced with respect to the allowables of the wells on that Tract and if the amount of overproduction has been sold or otherwise disposed of, such production shall be regarded as part of the Unitized Substances produced after the Effective Date and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

ARTICLE 8 USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

ARTICLE 9 TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the Effective Date and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit "B" that corner or have a common boundary (Tracts separated only by a public highway and/or a railroad right-of-way shall be considered to have a common boundary) and that otherwise qualify as follows:

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

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest have become parties to this agreement and as to which (a) Working Interest Owners owning seventy-five percent (75%) or more of the Working Interest in such Tract, including the Working Interest Owner who operates the Tract, have joined in a request for the inclusion of the Tract in the Unit Area and as to which (b) Working Interest Owners having seventy-five percent (75%) or more of the combined voting interest in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract. For the purpose of this Section 9.1.2, the voting interest of a Working Interest Owner shall be equal to the ratio that its Phase I Unit Participation attributable to Tracts that qualify under Section 9.1.1 bears to the total Phase I Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1;

9.1.3 Each Tract as to which Working Interest Owners owning less than one-hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto, and as to which (a) one or more of the Working Interest Owners in such Tract who have become parties to this agreement, one of which must be the operator of such Tract, have joined in a request for inclusion of such Tract in the Unit Area and have executed and delivered, or have obligated themselves to execute and deliver, an indemnity agreement identical in form to the agreement attached hereto as Exhibit "D" indemnifying and agreeing to hold harmless all other Working Interest Owners in the Unit Area, their successors, and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement and which arise out of the inclusion of the Tract in the Unit Area; and as to which (b) Working Interest Owners having seventy-five percent (75%) or more of the combined voting interest in all Tracts that meet the requirements of Sections 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section 9.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Phase I Unit Participation attributable to Tracts that qualify under Sections 9.1.1 and 9.1.2 bears to the total Phase I Unit

Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed in proportion to their respective Working Interests in such Tract to the Working Interest Owners in the Tract who have executed indemnity agreements.

9.2 Commitment of Interests to Unit. The execution of this agreement by a party shall commit all interests owned or controlled by such a party as of the date of execution and additional interests acquired before the Effective Date. After the Effective Date, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest and upon approval of the Commissioner, provided, however, any formerly committed interest as to which title has failed may be re-committed by the rightful owners on its former basis of participation as provided in Section 10.1 hereof.

9.3 Acquisition of Uncommitted Interests. In the event any party bound by this agreement acquires an uncommitted interest in any Tract included within the Unit Area, such interest upon being so acquired, shall, upon approval by the Working Interest Owners, be subject to this agreement; shall receive its share of the Unit Participation allocated to said Tract; and, where the interest acquired is a Working Interest, shall also be subject to the Unit Operating Agreement.

9.4 Revision of Exhibits. If any of the Tracts described in Exhibit "B" fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute the Tract Participation of each of the qualifying Tracts, using the original basis of computation, and shall revise Exhibits "A," "B" and "C" accordingly. Such revised exhibits shall be effective as of 7 A.M. on the Effective Date.

ARTICLE 10 TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of 7 A.M. on the first day of the calendar month in which the failure of title is finally determined unless within ninety

(90) days after the date of final determination of the failure of title, the Tract qualifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits "A," "B," and "C" accordingly. The revised exhibits shall be effective as of 7 A.M. on the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Interest Titles. If title to a Royalty Interest fails but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title Is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of the Working Interest Owners shall either:

(a) Require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owners if the title or right of such party fails in whole or in part; or

(b) Withhold and market the portion of Unitized Substances with respect to which title or right is in dispute and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

(c) Notwithstanding any provisions contained herein to the contrary, no payments of funds due the State of New Mexico shall be withheld; but such funds shall be deposited as directed by the 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.

10.6 Payment of Taxes to Protect Title. The owner of surface rights to lands within the Unit Area or severed mineral interests or Royalty Interests in such lands or lands outside the Unit Area on which Unit Equipment is located is responsible for the payment of any ad valorem taxes on all such rights, interests, or property unless such owner and Working Interest Owners otherwise agree. If any ad valorem taxes are not paid by or for such owner when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale, or expiration of period of redemption after tax sale, pay the tax to redeem such rights, interests, or property and discharge the tax lien. Any such payment shall be an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to Working Interest Owners.

ARTICLE 11 EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area; however, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a camp site or a plant site for water injection, gas injection, or gas processing.

11.2 Use of Water. Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner.

11.3 Surface Damages. Working Interest Owners shall pay the owners for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

ARTICLE 12 ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged from time to time to include acreage reasonably proved to be productive upon

such terms as may be determined by Working Interest Owners and upon approval by the Commissioner, including, but not limited to, the following: 1
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12.1.1 The acreage shall qualify under a Section of Article 9. 3

12.1.2 The participation to be allocated to the acreage shall be fair and reasonable, considering all available information, and as applicable, subject to the provisions of Section 5.1.1, the number of barrels of oil shall be revised that determine the duration of Phase I and Phase II of Unit Participation. 4
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12.1.3 There will be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement. 9
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12.2 Determination of Tract Participation. Unit Operator, subject to Section 5.2, shall determine the Tract Participation of each Tract within the Unit Area as enlarged and shall revise Exhibits "A," "B," and "C" accordingly. 13
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12.3 Effective Date. The effective date of any enlargement of the Unit Area shall be 7 A.M. on the first day of the calendar month following compliance with conditions for enlargement as specified by Working Interest Owners and filing for record of revised Exhibits "A," "B," and "C" in Lea County, New Mexico. If the Unit Area is enlarged during Phase I or Phase II, the instrument for recording revised Exhibits "A," "B," and "C" shall state the revised number of barrels of oil that shall determine the duration of the remainder of Phase I and Phase II, as applicable. 17
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ARTICLE 13 TRANSFER OF TITLE - PARTITION

13.1 Transfer of Title. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding upon Unit Operator or upon any party hereto other than the party so transferring until 7 A.M. on the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy, or a certified copy, of the recorded instrument evidencing such change in ownership. 26
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13.2 Waiver of Rights to Partition. Each party hereto agrees that, during the existence of this agreement, it will not resort to any 34
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action to partition the Unitized Formation or the Unit Equipment and to that extent waives the benefits of all laws authorizing such partition.

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ARTICLE 14 RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

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14.2 No Joint Refining or Marketing. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any joint refining or marketing of Unitized Substances.

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14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise so obligated.

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14.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

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ARTICLE 15 LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to all applicable federal, state, and municipal laws, rules, regulations, and orders.

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ARTICLE 16 FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a labor dispute, fire,

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war, civil disturbance, act of God; by federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause or causes, whether similar or dissimilar, beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspense of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 17 EFFECTIVE DATE

17.1 Effective Date. This agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto and, unless sooner terminated as provided in Section 17.2, shall become effective no later than 7 A.M. on the first day of the second calendar month next following:

(a) The qualification in accordance with Article 9 of Tracts representing not less than eighty percent (80%) of Phase I participation in the Unit Area as shown on Exhibit "C" attached hereto; without limiting the foregoing, in the event that the above is not accomplished by June 1, 1975, the Working Interest Owners shall have the right to form a unit of lesser areal extent than that outlined on the original Exhibit "A," provided that the Tracts in such unit shall meet the qualification of Article 9 and provided further that approval to form such partial unit is given by the Working Interest Owners in the Tracts proposed for inclusion in such partial unit who are committed to this Agreement, such approval to be given by a vote of Working Interest Owners owning eighty percent (80%) or more of the Phase I voting interest in such partial unit as shown in Exhibit "C".

(b) The approval of this agreement by the Commission and Commissioner; and

(c) The filing of at least one counterpart of this agreement for record in Lea County, New Mexico.

17.2 Ipsa Facto Termination. If the requirements of Section 17.1 are not accomplished on or before June 1, 1975, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners of at least sixty-five percent (65%) of Phase I Unit Participation have become parties to this agreement and Working

Interest Owners owning sixty-five (65%) or more of that percent have decided to extend the termination date for a period not to exceed one year. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this section, Unit Participation shall be calculated on the basis of Phase I Tract Participations shown on the original Exhibit "C".

17.3 Certificate of Effectiveness. Unit Operator shall file for record in Lea County, New Mexico, a certificate stating the Effective Date.

ARTICLE 18 TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities or other Unit Operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by approval of the Commissioner and by Working Interest Owners owning sixty-five (65%) or more of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned; and Unit Operations shall cease. Each oil and gas lease and other agreement covering lands within the Unit Area shall remain in force for sixty (60) days after the date on which this agreement terminates and for such other period as is provided by the lease or other agreement.

18.4 Salvaging Equipment upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

18.5 Certificate of Termination. Upon termination of this agreement, Unit Operator shall file for record in Lea County, New Mexico, a certificate declaring that this agreement has terminated and its termination date.

ARTICLE 19
EXECUTION

- 19.1 Original, Counterpart, or Other Instrument. An owner of Oil and Gas Rights may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto. The signing of any such instrument shall have the same effect as if all parties had signed the same instrument. 1 2 3 4 5
- 19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party. 6 7 8

ARTICLE 20
GENERAL

- 20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners. 9 10 11
- 20.2 Action by Working Interest Owners. Except as otherwise provided in this agreement, any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement. 12 13 14 15
- 20.3 Lien and Security Interest. Unit Operator and Working Interest Owners shall have a lien upon and a security interest in the interests of each other in the Unit Area as provided in the Unit Operating Agreement. 16 17 18
- 20.4 Non-discrimination. In connection with the performance of work under this agreement, Unit Operator agrees to comply with all the provisions of Subsections (1) through (7) of Section 202, Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and as subsequently amended, which are hereby incorporated by reference in this agreement. 19 20 21 22 23 24

ARTICLE 21
SUCCESSORS AND ASSIGNS

- 21.1 Successors and Assigns. This agreement shall extend to, be binding upon, and inure to the benefit of the parties hereto and their 25 26

respective heirs, devisees; legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

IN WITNESS WHEREOF the parties hereto have executed this agreement on the dates opposite their respective signatures.

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AMOCO PRODUCTION COMPANY

Date: JUN 21 1974

By John W. Phenicie
Attorney-in-Fact



THE STATE OF TEXAS |

COUNTY OF HARRIS |

BEFORE ME, the undersigned authority, on this day personally appeared JOHN W. PHENICIE, known to me to be the person who executed the foregoing instrument as Attorney-in-Fact for AMOCO PRODUCTION COMPANY, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 21st day of June, 1974.

Dorothy E. Middleton
Notary Public in and for
Harris County, Texas



DOROTHY E. MIDDLETON
Notary Public in and for Harris County, Texas
Commission Expires 6-1-75

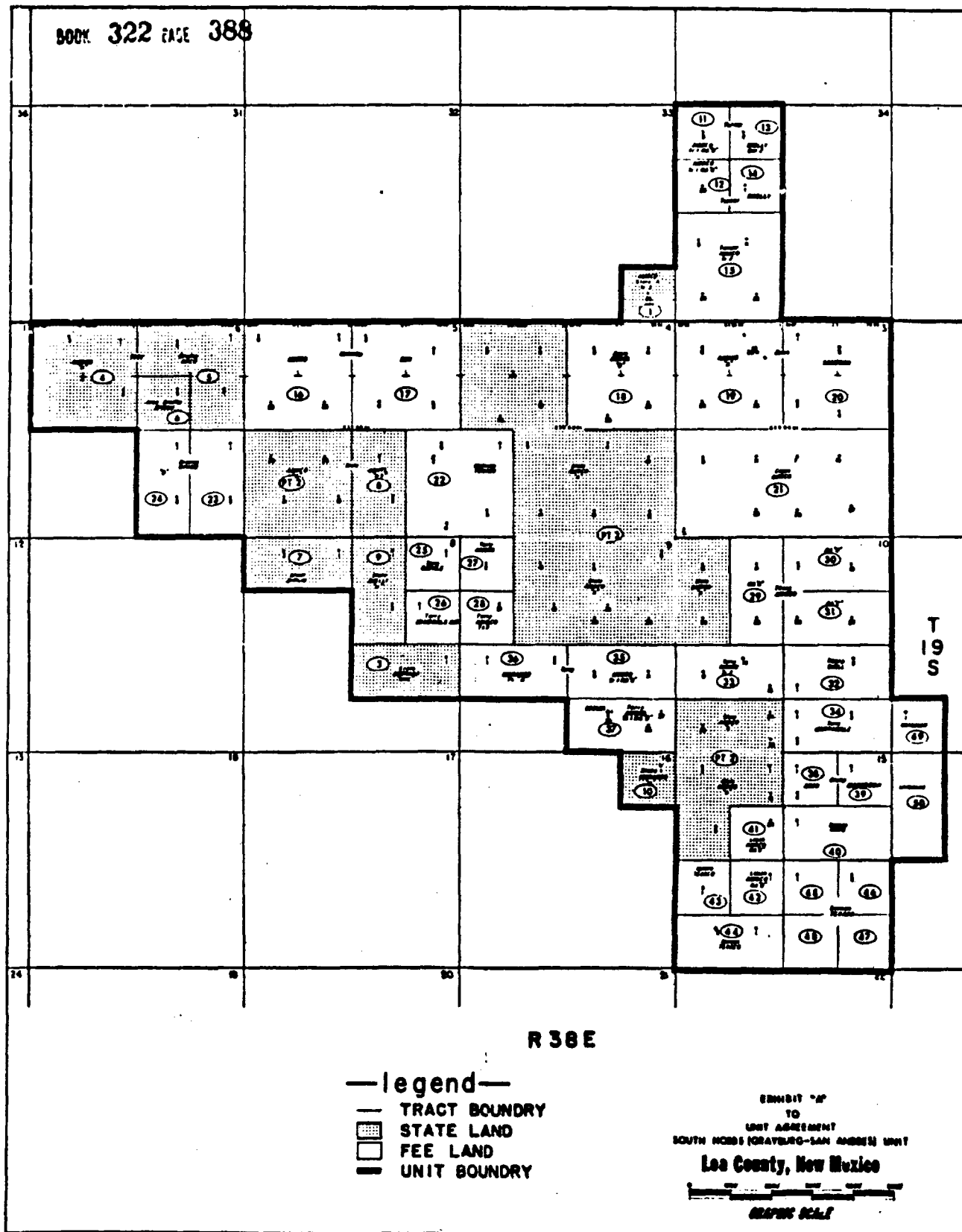


EXHIBIT "B"
TO
UNIT AGREEMENT
SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE
AND KIND OF OWNERSHIP OF ALL LANDS WITHIN THE
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
1-18-S, R-38-E							
1	SE/4 SE/4 Sec. 33	40.00	A-1212-1 10-18-28	State-All	Anoco Production Company	None	Anoco Production Company-100%
1-18-S, R-38-E							
2	NW/4, E/2 SW/4, SE/4 Sec. 4 SW/4 Sec. 5 E/2 NW/4, NE/4 Sec. 9 W/2 NW/4, S/2 SW/4 Sec. 10 N/2 NW/4, SW/4 NW/4 Sec. 15	1.079.04	A-1212-1 10-18-28	State-All	Anoco Production Company	Anoco Production Company-.09261%	Anoco Production Company-100%
3	N/2 SE/4 Sec. 8	80.00	A-1459-2 12-18-28	State-All	Amerada Hess Corporation	None	Amerada Hess Corporation-100%
4	NW/4 Sec. 6	157.32	A-1646-9 1-11-29	State-All	Robert M. Taudman	None	Anoco Production Company-37.71751% Landreth Interests -12.28248% J. W. Morris Agent-50.00000%
5	N/2 NE/4, SE/4 NE/4 Sec. 6	117.32	A-1646-5 1-11-29	State-All	Atlantic Richfield Company	None	Atlantic Richfield Company-100%

B-1

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
6	SW/4 NE/4 Sec. 6	80.00	A-1646-5 1-11-29	State-All	Atlantic Richfield Company	Atlantic Richfield Company-10.93750%	W. K. Byron-100%
7	N/2 NW/4 Sec. 8	80.00	B-244-1 9-10-31-	State-All	Gulf Oil Corporation	Gulf Oil Corporation -5.46880%	W. K. Byron-75.00% M. M. McPherson-12.50% R. L. McPherson-6.25% Colleen M. Wallace-6.25%
8	W/2 SE/4 Sec. 5	80.00	B-2656 9-23-33	State-All	Continental Oil Company	None	Continental Oil Company-100%
9	W/2 NE/4 Sec. 8	80.00	E-3290 2-10-50	State-All	Stelly Oil Company	None	Stelly Oil Company-100%
10	NE/4 NE/4 Sec. 16	40.00	E-8432-2 8-17-54	State-All	Moranco (Moran Oil Producing & Drilling Corporation)	None	Moranco-100%

Ten (10) State Tracts totaling 1,794.48 acres consisting of 35.37 percent of the Unit Area.

T-18-S, R-38-E

11	BU/4 BU/4 Sec. 34	40.00	Fee-HBP	Atlantic Rich- field Company - 9.37504% *	Amoco Production Company	None	Amoco Production Company-100%
12	SU/4 BU/4 Sec. 34	40.00	Fee-HBP	Atlantic Rich- field Company - 9.37504% *	Amoco Production Company	None	Amoco Production Company-100%
13	WE/4 BU/4 Sec. 34	40.00	Fee-HBP	Marshall & Winston Inc. - 12.5% *	Stelly Oil Company	None	Stelly Oil Company-100%
14	SE/4 BU/4 Sec. 34	40.00	Fee-HBP	Atlantic Rich- field Company - 9.37504% *	Stelly Oil Company	None	Stelly Oil Company-100%

B-2

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
15	SU/4 Sec. 34	160.00	Fee-NBP	Bonnie R. Etz -12.5% *	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-20-E</u>							
16	NW/4 Sec. 5	160.70	Fee-NBP	J.M.R. Lyeth, Lyeth -14.06248% *	Amoco Production Company	None	Amoco Production Company-100%
17	NW/4 Sec. 5	160.02	Fee-NBP	J.M.R. Lyeth, Jr. & R. L. Lyeth -14.06248% *	Amoco Production Company	None	Amoco Production Company-100%
18	NW/4 Sec. 3	160.02	Fee-NBP	Minnie Byers Life Est. -20.8333% *	Amoco Production Company	None	Amoco Production Company-100%
19	NW/4 Sec. 3	160.00	Fee-NBP	Minnie Byers Life Est. -20.8333% *	Amoco Production Company	None	Amoco Production Company-100%
20	NW/4 Sec. 3	160.06	Fee-NBP	Continental Oil Company - 25.00000% *	Samaden Oil Corporation	Alfred P. Thomas - .06740% *	Samaden Oil Corporation - 87.125%; J. P. Cusack-8.500%; J. P. Cusack, Jr.-2.000%; M. F. Cusack-2.000%; Sam Properties Ltd.- .375%
21	S/2 Sec. 3	320.00	Fee-NBP	C. F. Bedford -10.5% *	Amoco Production Company	None	Amoco Production Company-100%
22	W/2 SW/4 Sec. 4 E/2 SE/4 Sec. 5	160.00	Fee-NBP	Cities Service Oil Company 16.6666% *	Texasco, Inc.	None	Texasco, Inc.-100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
23	E/2 SE/4 Sec. 6	80.00	Fee-HBP	Clara Fowler -18.9390% *	W. K. Byrom	Cities Service Oil Company -2.39260% *	W. K. Byrom-50.0000% M. M. McPherson-12.5000% J. M. Zachary-10.3125% Neville G. Penrose -8.1250% Partnership Properties Company-6.5625% R. L. McPherson-6.2500% Colleen M. Wallace-6.2500%
24	W/2 SE/4 Sec. 6	80.00	Fee-HBP	Clara Fowler -15.0613% *	W. K. Byrom	Cities Service Oil Company -3.75980% *	W. K. Byrom-46.6721% M. M. McPherson-11.6680% J. M. Zachary-9.8261% Neville G. Penrose-7.5842% Chas. B. Reed-6.6555% Partnership Properties Company-6.1257% R. L. McPherson-5.8340% Colleen M. Wallace-5.8340%
25	NE/4 NE/4 Sec. 8	40.00	Fee-HBP	Will M. Terry Trust-37.50% *	Albert Eckle, Operator	Amoco Production Company-5.4687% *	Albert Eckle, Operator-16.6666% Margaret Clay -7.0833% Rufus G. Clay Trusts 1, 2 and 3 -7.0833%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
26	SE/4 NE/4 Sec. 8	40.00	Fee-NRP	Will M. Terry Trust-37.50% *	Minerals, Inc.	Amoco Production Company-6.25000% *	M. J. & Ellen M. Clay Trusts-14.16666% Management Trust Co.-44.99999%
27	NW/4 NW/4 Sec. 9	40.00	Fee-NRP	Atlantic Richfield Company-25.00% *	Amoco Production Company	None	Adelaida Dwight - 16.66667% Est. of James M. Snowden - 16.66666% James M. Snowden - 16.66667%
28	SW/4 NW/4 Sec. 9	40.00	Fee-NRP	Atlantic Richfield Company-25.00% *	Amoco Production Company	None	
29	E/2 NW/4 Sec. 10	80.00	Fee-NRP	Atlantic Richfield Company-37.50% *	Amoco Production Company	None	
30	N/2 NE/4 Sec. 10	80.00	Fee-NRP	Bessie Duman -8.33333% *	Amoco Production Company	None	
31	S/2 NE/4 Sec. 10	80.00	Fee-NRP	Elliot Oll Company-25.00% *	Amoco Production Company	None	
32	N/2 SE/4 Sec. 10	80.00	Fee-NRP	Elliot Oll Company-25.00% *	Shell Oll Company	None	Shell Oll Company -100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
33	N/2 SW/4 Sec. 10	80.00	Fee-HBP	Atlantic Richfield Company -12.5% *	Amoco Production Company	None	Amoco Production Company-100%
34	S/2 SE/4 Sec. 10	80.00	Fee-HBP	Unknown **	R. L. Summers	None	R. L. Summers - 66.6667% M. M. McPherson - 16.6667% R. L. McPherson - 8.3333% Colleen M. Wallace - 8.3333%
35	N/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.6667% *	Amoco Production Company	None	Amoco Production Company-100%
36	N/2 SW/4 Sec. 9	80.00	Fee-HBP	Atlantic Richfield Company -25.00% *	Moranco (Moran Oil Prod. and Drilling Corp.)	Amoco Production Company-6.25%	None
37	S/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.6667% *	Amoco Production Company	None	Amoco Production Company-100%
38	NW/4 NE/4 Sec. 15	40.00	Fee-HBP	The Walter Oil Corporation -25.00% *	Atlantic Richfield Company	None	Atlantic Richfield Company-100%
39	NE/4 NE/4 Sec. 15	40.00	Fee-HBP	The Walter Oil Corporation -25.00% *	McPherson Operating Account	Atlantic Richfield Company - 12.50%	Margaret M. McPherson - 50% R. L. McPherson - 25% Colleen M. Wallace - 25%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
40	S/2 SE/4 Sec. 15	80.00	Fee-HSP	The Walker Oil Corporation -25.00%	Atlantic Richfield Company	None	Atlantic Richfield Company-100%
41	SE/4 NW/4 Sec. 15	40.00	Fee-HSP	Joanne Grish -25.00%	Amoco Production Company	None	Amoco Production Company-100%
42	NE/4 SW/4 Sec. 15	80.00	Fee-HSP	Joanne Grish -25.00%	Amoco Production Company	None	Amoco Production Company-100%
43	NW/4 SW/4 Sec. 15	40.00	Fee-HSP	Marshall & Winston Inc. -28.1250%	Texaco, Inc.	None	Texaco, Inc. - 18.0555% Welen Avara - 4.1667% J.P. & Illa Crawford - 2.7777% Mary Dunbar - 4.1667% Joanne Grish - 25.0000% W. J. Harris - .9259% Dalco Oil Company - 12.5000% Christine Johnson - 4.1666% Margaret Harris Long - .9259% The Moore Trust - 12.5000% V. V. Harris, Jr. Estate - .9259% Loma, Inc. - 6.2500% S. Rogers - 4.2500% J. B. Unpley Estate - 1.3888%
44	S/2 SW/4 Sec. 15	80.00	Fee-HSP	United States Smelting, Refining & Mining Company 21.3375%	Texcon, Inc.	None	Texaco, Inc. - 95.8333% Amoco Production Company - 4.1667%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
45	NW/4 SE/4 Sec. 15	40.00	Fee-HBP	Norden Corporation, Ltd. 25.00%	Texaco, Inc.	None	Texaco, Inc.-100%
46	NE/4 SE/4 Sec. 15	40.00	Fee-HBP	Norden Corporation, Ltd. 25.00%	Texaco, Inc.	None	Texaco, Inc.-100%
47	SE/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%	Texaco, Inc.	None	Texaco, Inc.-100%
48	SW/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%	Texaco, Inc.	None	Texaco, Inc.-100%
49	SW/4 SW/4 Sec. 15	40.00	Fee-HBP	Unknown **	Unleased	Unleased	Unleased
50	W/2 NW/4 Sec. 14	80.00	Fee-HBP	Unknown **	Unleased.	Unleased	Unleased
Forty (40) Fee Tracts totaling 3,279.26 acres consisting of 64.63 percent of the Unit Area.							

RECAPITULATION OF NUMBER OF ACRES

State Lands	1,794.48 acres	35.37 percent
Fee Lands	3,279.26 acres	64.63 percent
	5,073.74 acres	100.00 percent

- * Largest Royalty Interest Owner only is shown except where one or more owners have identical interests.
- ** Complete royalty ownership will be furnished upon request.
- ** Royalty Interest Ownership is not available or is unknown.

EXHIBIT "B"
TO

UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

S U M M A R Y

Working Interest Owner	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Amerada Hess Corporation	3	.00000	.10325	.00650
	1	2.15837	1.60863	2.09710
Amoco Production Company	2	26.12872	25.11866	30.56335
	4	.33001	.59289	.25970
	11	2.66758	1.89310	2.13625
	12	2.07967	1.65055	2.52500
	15	7.35405	6.04818	7.88115
	16	7.29832	5.76380	5.47440
	18	5.96554	5.43484	8.30632
	19	4.31108	4.17761	4.55077
	21	6.99465	6.80727	6.47467
	27	.28327	.57000	.51738
	28	.14554	.30451	.23639
	29	.91599	1.38285	2.58811
	30	1.25956	1.27253	.75697
	31	2.50174	1.92804	1.07076
	33	.94037	1.34872	1.39262
	35	.48790	1.00567	.69290
	37	.33564	.68777	.25844
	41	.22209	.49063	.27071
	42	.17083	.32575	.33192
	44	.00698	.02126	.00752
		72.75790	68.43326	78.39243
Atlantic Richfield Company	5	3.75878	3.12589	1.16496
	38	.00000	.50165	.30377
	40	.00000	.57569	.27038
		3.75878	4.20323	1.73911

Working Interest Owner	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Helen Avara	43	.00000	.00868	.00228
M. K. Byron	6	.41381	.47722	.32394
	7	.32548	.50300	.18919
	23	.47393	.52416	.16905
	24	.33477	.37095	.13593
		1.54799	1.87533	.81611
Margaret B. Clay	25	.01216	.02531	.02028
Rufus G. Clay Trusts Nos. 1, 2 & 3	25	.01216	.02531	.02028
W. J. & Ellen Clay Trusts	25	.02433	.05062	.04056
Continental Oil Company	8	1.46091	1.68780	1.57486
J. P. & Ila Crawford	43	.00000	.00578	.00152
J. P. Cusack	20	.11012	.18884	.10067
J. P. Cusack, Jr.	20	.02591	.04444	.02369
Michael F. Cusack	20	.02591	.04443	.02369
Mary Dunbar	43	.00000	.00868	.00228
Adelaide Dwight	25	.02863	.05955	.04772
Albert Gackle, Operator	25	.02863	.05956	.04772
Joanne Grieb	43	.00000	.05206	.01370
V. V. Harris, Jr., Estate	43	.00000	.00193	.00051
W. J. Harris	43	.00000	.00193	.00051
Dalco Oil Company	43	.00000	.02603	.00685

Working Interest Owner	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Christine Johnson	43	.00000	.00868	.00228
Landreth Interests	4	.17259	.19307	.08457
Loma, Inc.	43	.00000	.01302	.00342
Margaret Harris Long	43	.00000	.00193	.00051
Management Trust Company, Trustee	25	.00859	.01787	.01431
R. L. McPherson	7	.02712	.04192	.01577
	23	.05924	.06552	.02113
	24	.04185	.04637	.01699
	34	.09438	.12207	.07198
	39	.06814	.09475	.06215
		<u>.29073</u>	<u>.37063</u>	<u>.18802</u>
Margaret M. McPherson	7	.05425	.08383	.03153
	23	.11848	.13104	.04226
	24	.08369	.09274	.03398
	34	.18875	.24413	.14395
	39	.13629	.18950	.12429
		<u>.58146</u>	<u>.74124</u>	<u>.37601</u>
Minerals, Inc.	26	.27769	.37911	.20638
The Moore Trust	43	.00000	.02603	.00685
Moranco	10	.08284	.25690	.04660
	36	.24400	.53460	.19921
		<u>.32684</u>	<u>.79150</u>	<u>.24581</u>
J. H. Morris, as Agent	4	.70261	.78597	.34427

Working Interest Owners	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Neville G. Penrose	23	.07701	.09518	.02747
	24	.05440	.06028	.02209
		<u>.13141</u>	<u>.14546</u>	<u>.04956</u>
Partnership Properties Company	23	.06220	.06879	.02219
	24	.04394	.04869	.01784
		<u>.10614</u>	<u>.11748</u>	<u>.04003</u>
Charles B. Read	24	.04774	.05290	.01938
George Rogers	43	.00000	.01301	.00342
Samedan Oil Corporation	20	1.12875	1.93563	1.03187
Sea Properties, Ltd.	20	.00486	.00833	.00444
Shell Oil Company	32	.77929	1.14829	1.05516
Skelly Oil Company	9	.72690	.89555	.28652
	13	2.41042	1.75577	1.26814
	14	1.32946	1.24827	1.82891
		<u>4.46678</u>	<u>3.89959</u>	<u>3.38357</u>
Estate of James H. Snowden	25	.02863	.05956	.04772
James M. Snowden	25	.02863	.05956	.04772
R. L. Summers	34	.75502	.97650	.57578
Sun Oil Company	17	4.76117	4.79863	5.37857

Working Interest Owners	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Texaco, Inc.	22	4.50908	4.09088	3.24119
	43	.00000	.03760	.00989
	44	.16051	.48890	.17296
	45	.43169	.56743	.25109
	46	.04882	.24463	.02665
	47	.00000	.11627	.00380
	48	.00000	.21081	.02053
		5.15010	5.75652	3.72611
J. B. Murphy Estate	43	.00000	.00269	.00076
Colleen McPherson Wallace	7	.02712	.04192	.01577
	23	.05924	.06552	.02113
	24	.04185	.04637	.01699
	34	.09438	.12206	.07197
	39	.06815	.09475	.06215
		.29074	.37062	.18801
J. N. Zachary	23	.09775	.10811	.03487
	24	.06905	.07651	.02804
		.16680	.18462	.06291
Unleased	49	.00000	.06759	.01977
	50	.00000	.16775	.00952
		.00000	.23534	.02929
TOTAL		100.00000	100.00000	100.00000

EXHIBIT "C"
TO
UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	Tract Participation - %		
		Phase I	Phase II	Phase III
<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>				
1	Section 33: SE/4 SE/4	2.15837	1.60863	2.09710
<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>				
2	Section 4: NW/4, E/2 SW/4, SE/4 Section 5: SW/4 Section 9: E/2 NW/4, NE/4 Section 10: W/2 NW/4, S/2 SW/4 Section 15: N/2 NW/4, SW/4 NW/4	26.12872	25.11866	30.56335
3	Section 8: N/2 SE/4	.00000	.10325	.00650
4	Section 6: NW/4	1.40521	1.57193	.68854
5	Section 6: N/2 NE/4, SE/4 NE/4	3.75878	3.12589	1.16496
6	Section 6: SW/4 NE/4	.41381	.47722	.32394
7	Section 8: N/2 NW/4	.43397	.67067	.25226
8	Section 5: W/2 SE/4	1.46091	1.68780	1.57486
9	Section 8: W/2 NE/4	.72690	.89555	.28652
10	Section 16: NE/4 NE/4	.08284	.25690	.04660
<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>				
11	Section 34: NW/4 NW/4	2.66758	1.89310	2.13625
12	Section 34: SW/4 NW/4	2.07967	1.65055	2.52500
13	Section 34: NE/4 NW/4	2.41042	1.75577	1.26814

Tract No.	Description	Tract Participation - %			
		Phase I	Phase II	Phase III	
TOWNSHIP 18 SOUTH, RANGE 38 EAST					
14	Section 34	SE/4 NW/4	1.32946	1.24827	1.82891
15	Section 34	SW/4	7.35405	6.04818	7.88115
TOWNSHIP 19 SOUTH, RANGE 38 EAST					
16	Section 5	NW/4	7.29832	5.76380	5.47440
17	Section 5	NE/4	4.76117	4.79863	5.37857
18	Section 4	NE/4	5.96554	5.43484	8.30632
19	Section 3	NW/4	4.31108	4.17761	4.55077
20	Section 3	NE/4	1.29555	2.22167	1.18436
21	Section 3	S/2	6.99465	6.80727	6.47467
22	Section 5 Section 4	E/2 SE/4 W/2 SW/4	4.50908	4.09088	3.24119
23	Section 6	E/2 SE/4	.94785	1.04832	.33810
24	Section 6	W/2 SE/4	.71729	.79481	.29124
25	Section 8	NE/4 NE/4	.17176	.35734	.28631
26	Section 8	SE/4 NE/4	.27769	.37911	.20638
27	Section 9	NW/4 NW/4	.28327	.57000	.51738
28	Section 9	SW/4 NW/4	.14554	.30451	.23639
29	Section 10	E/2 NW/4	.91599	1.38285	2.58811
30	Section 10	N/2 NE/4	1.25956	1.27253	.75697
31	Section 10	S/2 NE/4	2.50174	1.92804	1.07076
32	Section 10	N/2 SE/4	.77928	1.14829	1.05516
33	Section 10	N/2 SW/4	.94037	1.34872	1.39262

		<u>Tract Participation - %</u>			
<u>Tract No.</u>		<u>Description</u>	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
34	Section 10	S/2 SE/4	1.13253	1.46476	.86368
35	Section 9	N/2 SE/4	.48790	1.00567	.69290
36	Section 9	N/2 SW/4	.24400	.53460	.19921
37	Section 9	S/2 SE/4	.3356	.68777	.25844
38	Section 15	NW/4 NE/4	.00000	.50165	.30377
39	Section 15	NE/4 NE/4	.27258	.37900	.24859
40	Section 15	S/2 NE/4	.00000	.57569	.27038
41	Section 15	SE/4 NW/4	.22209	.49063	.27071
42	Section 15	NE/4 SW/4	.17083	.32575	.33192
43	Section 15	NW/4 SW/4	.00000	.20825	.05478
44	Section 15	S/2 SW/4	.16749	.51016	.18048
45	Section 15	NW/4 SE/4	.43170	.56744	.25109
46	Section 15	NE/4 SE/4	.04882	.24463	.02666
47	Section 15	SE/4 SE/4	.00000	.11627	.00379
48	Section 15	SW/4 SE/4	.00000	.21080	.02053
49	Section 11	SE/4 SW/4	.00000	.06759	.01977
50	Section 14	W/2 NW/4	<u>.00000</u>	<u>.16775</u>	<u>.00952</u>
			100.00000%	100.00000%	100.00000%

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THE UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

INDEMNITY AGREEMENT

WHEREAS, Section 9.1.3 of an agreement entitled "Unit Agreement, South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico," dated May 1, 1974, provides that under certain circumstances and conditions therein stated a Tract that fails to qualify for inclusion in the Unit Area may be included if the requisite Working Interest Owners in the Tract as specified in said Section request the inclusion of the Tract in the Unit Area and execute and deliver, or obligate themselves to execute and deliver, an indemnity agreement; and

WHEREAS, Tract _____, described in the Unit Agreement is such a Tract; and

WHEREAS, the undersigned are owners of Working Interest in such Tract and have become parties to the Unit Agreement and the Unit Operating Agreement and desire the inclusion of the Tract in the Unit Area;

NOW THEREFORE, in consideration of and conditioned upon said Tract meeting the other requirements of the aforesaid Section of the Unit Agreement and its inclusion in the Unit Area the undersigned hereby request the inclusion of the above Tract in the Unit Area and agree, together with other owners of Working Interest in the Tract who execute and deliver, or who obligate themselves to execute and deliver, like indemnity agreements, to indemnify and hold harmless all other Working Interest Owners in the Unit Area against all claims and demands required by said Section to be the subject of such indemnity. Any liability arising hereunder shall be borne by the undersigned and other Working Interest Owners in the Tract who are committed to like indemnity agreements in the proportion that the Working Interest of each in the Tract bears to the total Working Interest therein of all the owners of Working Interest in the Tract committed to such indemnity agreement.

This indemnity shall become void with respect to all claims and demands based upon occurrences subsequent to the time when the conditions are met that would have initially qualified such Tract for inclusion in the Unit Area without this indemnity.

This agreement shall be binding upon and inure to the benefit of the heirs, devisees, legal representatives, successors, and assigns of

the respective parties initially bound or benefited by the provisions hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date opposite its signature.

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

DEC 12 1974

At 11:10 a.m. A
and Recorded in Book _____
Page _____
JANE RICE SMITH, County Clerk
By _____ Deputy



44759

UNIT OPERATING AGREEMENT

UNIT OPERATING AGREEMENT

UNIT OPERATING AGREEMENT

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UNIT OPERATING AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

<u>Section</u>		<u>Page No.</u>
	ARTICLE 1	
	CONFIRMATION OF UNIT AGREEMENT	
1.1	Confirmation of Unit Agreement	1
	ARTICLE 2	
	EXHIBITS	
2.1	Exhibits	1
2.1.1	Exhibits "A," "B," "C," and "D"	1
2.1.2	Exhibit "E"	1
2.1.3	Exhibit "F"	2
2.1.4	Exhibit "G"	2
2.2	Revision of Exhibits	2
2.3	Reference to Exhibits	2
	ARTICLE 3	
	SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS	
3.1	Over-All Supervision	2
3.2	Specific Authority and Duties	2
3.2.1	Method of Operation	2
3.2.2	Drilling of Wells	2
3.2.3	Well Change of Status	2
3.2.4	Expenditures	2
3.2.5	Disposition of Unit Equipment	3
3.2.6	Appearance Before a Court or Regulatory Agency	3
3.2.7	Audits	3
3.2.8	Inventories	3
3.2.9	Technical Services	3
3.2.10	Assignments to Committees	3
3.2.11	Removal of Unit Operator	3
3.2.12	Enlargement of the Unit Area	3
3.2.13	Adjustment of Investments	3
3.2.14	Termination	3
	ARTICLE 4	
	MANNER OF EXERCISING SUPERVISION	
4.1	Designation of Representatives	4
4.2	Meetings	4

ILLEGIBLE

		Page
		45
4.3.1	Voting Procedure	4
4.3.2	Voting Interest	4
4.3.3	Vote Required	4
4.3.4	Vote at Meeting by Nonattending Working Interest Owners	4
4.3.5	Poll Votes	4
	ARTICLE 5	
	INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS	
5.1	Reservation of Rights	5
5.2	Specific Rights	5
5.2.1	Access to Unit Area	5
5.2.2	Reports	5
	ARTICLE 6	
	UNIT OPERATOR	
6.1	Unit Operator	5
6.2	Resignation or Removal and Selection of a Successor	5
	ARTICLE 7	
	AUTHORITY AND DUTIES OF UNIT OPERATOR	
7.1	Exclusive Right to Operate Unit	5
7.2	Workmanlike Conduct	5
7.3	Liens and Encumbrances	6
7.4	Employees	6
7.5	Records	6
7.6	Reports to Working Interest Owner	6
7.7	Reports to Governmental Authorities	6
7.8	Engineering and Geological Information	6
7.9	Expenditures	6
7.10	Wells Drilled by Unit Operator	6
7.11	Border Agreements	6
	ARTICLE 8	
	TAXES	
8.1	Ad Valorem Taxes	6
8.2	Other Taxes	7
	ARTICLE 9	
	INSURANCE	
9.1	Insurance	7

ILLEGIBLE

Section

Page
No.

ARTICLE 10
ADJUSTMENT OF INVESTMENTS

10.1	Personal Property Taken over	7
10.1.1	Wells	7
10.1.2	Well and Lease Equipment	7
10.1.3	Records	7
10.2	Inventory and Evaluation of Personal Property	8
10.3	Investment Adjustment	8
10.3.1	Initial Adjustment of Investments	8
10.3.2	Readjustment of Investments	8
10.4	General Facilities	9
10.5	Ownership of Personal Property and Facilities	9
10.6	Operating Condition of Wells	9

ARTICLE 11
UNIT EXPENSE

11.1	Basis of Charge or Method of Allocation	9
11.2	Budgets	10
11.3	Advance Billings	10
11.4	Commingling of Funds	10
11.5	Lien and Security Interest of Unit Operator and the Working Interest Owner	10
11.6	Unpaid Unit Expense	11
11.7	Uncommitted Royalty	11
11.8	Rentals	11

ARTICLE 12
NON-UNITIZED FORMATIONS

12.1	Right to Operate	11
------	------------------	----

ARTICLE 13
TITLES

13.1	Warranty and Indemnity	12
13.2	Failure Because of Unit Operations	12

ARTICLE 14
LIABILITY, CLAIMS, AND SUITS

14.1	Individual Liability	12
14.2	Settlements	12

ARTICLE 15
LAWS AND REGULATION

15.1	Internal Revenue Provision	13
------	----------------------------	----

ILLEGIBLE

Section

Page
No.

ARTICLE 16
NOTICES

16.1

Notices

14

ARTICLE 17
WITHDRAWAL OF WORKING INTEREST OWNER

17.1

Withdrawal

14

ARTICLE 18
ABANDONMENT OF WELLS

18.1

Rights of Former Owners

14

18.2

Plugging

15

ARTICLE 19
EFFECTIVE DATE AND TERM

19.1

Effective Date

15

19.2

Term

15

ABANDONMENT OF OPERATIONS

20.1

Termination

15

20.1.1

Oil and Gas Rights

15

20.1.2

Right to Operate

15

20.1.3

Salvaging Wells

16

20.1.4

Cost of Abandonment

16

20.1.5

Distribution of Assets

16

ARTICLE 21
EXECUTION

21.1

Original, Counterpart, or Other Instrument

16

ARTICLE 22
SUCCESSORS AND ASSIGNS

22.1

Successors and Assigns

16

EXHIBIT "E"

EXHIBIT "F"

EXHIBIT "G"

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UNIT OPERATING AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of May, 1974,
by the parties who have signed the original of this instrument, a counter-
part thereof, or other instrument agreeing to become a party hereto,

W I T N E S S E T H

WHEREAS, the parties hereto as Working Interest Owners have
executed as of the date hereof an agreement entitled "Unit Agreement,
South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico," herein
referred to as "Unit Agreement," which, among other things, provides
for a separate agreement to be entered into by Working Interest Owners
to provide for Unit Operations as therein defined,

NOW THEREFORE, in consideration of the mutual agreements herein
set forth, it is agreed as follows:

ARTICLE 1
CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement. The Unit Agreement is
hereby confirmed and by reference made a part of this agreement. The
definitions in the Unit Agreement are adopted for all purposes of this
agreement. If there is any conflict between the Unit Agreement and
this agreement, the Unit Agreement shall govern.

ARTICLE 2
EXHIBITS

2.1 Exhibits. The following exhibits are incorporated herein
by reference:

2.1.1 Exhibits "A," "B," "C," and "D" of the Unit
Agreement.

2.1.2 Exhibit "E," attached hereto, is a schedule
showing the Working Interest of each Working Interest Owner in each
Tract, the portion of each Working Interest Owner's Unit Participation
attributable to each such interest, and the Unit Participation of each
Working Interest Owner. Exhibit "E," or a revision thereof, shall not
be conclusive as to the information therein, except it may be used as
showing the Unit Participations of Working Interest Owners for purposes
of this agreement until shown to be in error and revised as herein
authorized.

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2.1.3 Exhibit "F," attached hereto, is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this agreement and Exhibit "F," this agreement shall govern.

2.1.4 Exhibit "G," attached hereto, contains insurance provisions applicable to Unit Operations.

2.2 Revision of Exhibits. Whenever Exhibits "A," "B," and "C" are revised, Exhibit "E" shall be revised accordingly and be effective as of the same date. Unit Operator shall also revise Exhibit "E" from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

2.3 Reference to Exhibits. When reference is made herein to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

ARTICLE 3 SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Over-all Supervision. Working Interest Owners shall exercise over-all supervision and control of all matters pertaining to Unit Operations pursuant to this agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authority and Duties. The matters with respect to which the Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation. The method of operation, including the type or types of pressure maintenance, secondary recovery, or other improved recovery program to be employed.

3.2.2 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Well Change of Status. The abandonment, or permanent change of status of any well, or the use of any well for injection or other purposes.

3.2.4 Expenditures. The making of any single expenditure in excess of Twenty-Five Thousand Dollars (\$25,000); however, approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefor and for completing, testing, and equipping the well, including necessary flow lines, separators, and dense tankage.

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3.2.5 Disposition of Unit Equipment. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the current price of new equipment similar thereto is Five Thousand Dollars (\$5,000) or more.

3.2.6 Appearance Before a Court or Regulatory Agency. The designation of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; however, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; however, the audits shall:

(a) Not be conducted more than once each year except upon the resignation or removal of Unit Operator; and

(b) Be made upon the approval of the owner or owners of a majority of Working Interest other than that of Unit Operator at the expense of all Working Interest Owners other than Unit Operator; or

(c) Be made at the expense of those Working Interest Owners requesting such audit if owners of less than a majority of Working Interest, other than that of Unit Operator, request such an audit; and

(d) Be made upon not less than thirty (30) days' written notice to Unit Operator.

3.2.8 Inventories. The taking of periodic inventories under the terms of Exhibit "F."

3.2.9 Technical Services. The authorization of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit "F."

3.2.10 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.

3.2.11 Removal of Unit Operator. The removal of Unit Operator and the selection of a successor.

3.2.12 Enlargement of the Unit Area.

3.2.13 Adjustment of Investments. The adjustments and readjustments of investments.

3.2.14 Termination. The termination of the Unit Agreement.

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ARTICLE 4
MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representatives and alternates who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of two or more Working Interest Owners having a total Unit Participation of not less than five percent (5%). No meeting shall be called on less than fourteen (14) days' advance written notice with agenda for the meeting attached. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 Voting Procedure. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Unit Participation which is in effect at the time the vote is taken.

4.3.2 Vote Required. Unless otherwise provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters by the affirmative vote of three or more Working Interest Owners owning eighty percent (80%) or more Unit Participation.

4.3.3 Vote at Meeting by Nonattending Working Interest Owners. Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter or telegram to the representative of Unit Operator if its vote is received prior to the vote at the meeting.

4.3.4 Poll Votes. Working Interest Owners may vote on and decide by letter or telegram any matter submitted in writing to Working Interest Owners. If a meeting is not requested as provided in Section 4.2 within seven (7) days after a written proposal is sent to Working Interest Owners, the vote taken by letter or telegram shall become final. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

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ARTICLE 5
INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this agreement and the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

ARTICLE 6
UNIT OPERATOR

6.1 Unit Operator. Amoco Production Company is hereby designated as the initial Unit Operator.

6.2 Resignation or Removal and Selection of a Successor. The resignation or removal of Unit Operator and the selection of a successor shall be governed by the provisions of the Unit Agreement.

ARTICLE 7
AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this agreement and the instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

-5-
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7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area and the Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except the lien and security interest of Unit Operator and Working Interest Owners granted hereunder.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts, and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish Working Interest Owners periodic reports of Unit Operations.

7.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operator shall furnish to a Working Interest Owner upon written request a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Twenty-five Thousand Dollars (\$25,000) without prior approval of Working Interest Owners. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners as promptly as possible the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the usual rates prevailing in the area, and the work shall be performed by Unit Operator under the terms and conditions as approved by Working Interest Owners.

7.11 Border Agreements. Unit Operator may, after approval by Working Interest Owners, enter into border agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 8 TAXES

8.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all

-6-
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necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of a one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes resulting therefrom.

8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, or other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

ARTICLE 9 INSURANCE

9.1 Insurance. Unit Operator, with respect to Unit Operations, shall:

(a) Comply with the Workmen's Compensation Laws of the State of New Mexico.

(b) Carry Employer's Liability and other insurance required by the laws of the State of New Mexico, and

(c) Provide other insurance as set forth in Exhibit "G."

ARTICLE 10 ADJUSTMENT OF INVESTMENTS

10.1 Personal Property Taken Over. Upon the Effective Date, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 Wells. All wells completed in the Unitized Formation.

10.1.2 Well and Lease Equipment. The casing and tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which Working Interest Owners determine are necessary or desirable for conducting Unit Operations.

10.1.3 Records. A copy of all production and well records for such wells.

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10.2 Inventory and Evaluation of Personal Property. Working Interest Owners shall at Unit Expense inventory and evaluate, as determined by Working Interest Owners, the personal property taken over. Such inventory shall include and be limited to those items of equipment considered controllable under Exhibit "F" except that, upon determination of Working Interest Owners, items considered noncontrollable may be included in the inventory in order to insure a more equitable adjustment of investment. Casing shall be included in the inventory for record purposes but shall be excluded from evaluation and investment adjustment.

10.3 Investment Adjustment. Upon approval by Working Interest Owners of the inventory and evaluation, investments shall be adjusted as follows:

10.3.1 Initial Adjustment of Investments. Each Working Interest Owner shall be credited with the value, as determined in accordance with Section 10.2, of its interest in all personal property taken over by Unit Operator under Section 10.1.2 and charged with an amount equal to that obtained by multiplying the total value of all such personal property taken over by Unit Operator under Section 10.1.2 by such Working Interest Owner's Unit Participation as shown in Phase I of Exhibit "E." If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.3.2 Readjustment of Investments. Effective as of the end of Phase I, the capital investment account of the Working Interest Owners hereunder shall be readjusted on the basis of their respective Phase II Unit Participations as shown on Exhibit "E." For the purposes of such readjustment, each Working Interest Owner shall be (1) credited for its interest in the adjusted value of all personal property and facilities taken over or otherwise acquired by the Unit Operator pursuant to this agreement during Phase I Unit Operations and (2) charged with an amount equal to that obtained by multiplying the same adjusted value of personal property and facilities by such Working Interest Owner's Phase II Unit Participation. The adjusted value of all personal property and facilities for the purposes of this Section 10.3.2 shall be determined as follows:

(a) Value personal property and facilities initially taken over by Unit Operator on the same basis as that used when such personal property and facilities were taken over.

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(b) Value all other investment items (controllable and non-controllable materials and construction costs) acquired during Phase I Unit operations, including well casing subsequently purchased and installed on the basis of cost to the joint account.

(c) Add values determined under (a) and (b) and deduct the value of all items of investment retired prior to the effective date of Phase II Unit operations on the same basis that such items were originally charged.

Each Working Interest Owner shall be charged or credited with the net cash amount necessary to effect such readjustment of the capital investment account, and such charges and credits shall be settled in the same manner as the charges and credits referred to in Section 10.3.1. Effective as of the end of Phase II, the capital investment account shall be readjusted on the basis of the Working Interest Owners' Phase III Unit Participations in accordance with the procedures set forth in this Section 10.3.2.

10.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be by negotiation by the owners thereof and Unit Operator, subject to the approval of Working Interest Owners.

10.5 Ownership of Personal Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest equal to its Unit Participation in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement.

10.6 Operating Condition of Wells. All wells delivered to Unit Operator in accordance with Section 10.1.1 shall be considered to be in usable physical condition to produce from the Unitized Formation unless Unit Operator shall have made a report to the Working Interest Owners within a reasonable period of time (not to exceed six months) setting forth those wells which are unusable together with an estimate of costs to make such wells usable. Upon approval by Working Interest Owners, such wells shall be restored to usable condition by Unit Operator; and the former owners of such wells shall be liable to the Working Interest Owners for liquidated damages for such restoration in an amount measured by the cost to restore each such well not to exceed Thirty Thousand Dollars (\$30,000) with any excess cost being considered as Unit Expense.

ARTICLE III UNIT EXPENSE

11.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expense. Each Working Interest

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Owner shall reimburse Unit Operator for its share of Unit Expense in proportion to the respective Unit Participations in effect at the time such expense was incurred. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit "F."

11.2 Budgets. Before or as soon as practical after the Effective Date, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year and, on or before the first day of August thereafter, shall prepare a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense by quarterly periods. Budgets shall be estimates only and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall be furnished promptly to each Working Interest Owner.

11.3 Advance Billings. Unit Operator shall have the right, without prejudice to other rights or remedies, to require Working Interest Owners to advance their shares of estimated Unit Expense by submitting to Working Interest Owners on or before the fifteenth day of each month an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days after receipt of the estimate, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

11.4 Commingling of Funds. Funds received by Unit Operator under this agreement need not be segregated or maintained by it as a separate fund but may be commingled with its own funds.

11.5 Lien and Security Interest of Unit Operator and the Working Interest Owners. Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each tract and a security interest in its share of Unitized Substances when extracted and its interest in all Unit Equipment to secure payment of its share of Unit Expense, together with interest thereon at the rate of ten percent (10%) per annum, with the further provision that Unit Operator grants a like lien to Working Interest Owners. To the extent that Unit Operator has a security interest under the Uniform Commercial Code of the State of New Mexico, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Working Interest

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Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default. The rights herein granted the Unit Operator shall in like manner apply to the other Working Interest Owners.

11.6 Unpaid Unit Expense. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, each Working Interest Owner agrees, upon request by Unit Operator, to pay its proportionate part of the unpaid share of Unit Expense of the defaulting Working Interest Owner. Working Interest Owners that pay the share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past-due amount collected from or credited to the account of the defaulting Working Interest Owner. Any Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expense shall, to obtain reimbursement thereof, be subrogated to the lien and other rights herein granted Unit Operator.

11.7 Uncommitted Royalty. Should an owner of a Royalty Interest in any Tract fail to become a party to the Unit Agreement and, as a result thereof, the actual Royalty Interest payments with respect to such Tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners in proportion to their respective Unit Participations at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. Such adjustments shall be made by charges and credits to the joint account.

11.8 Rentals. The Working Interest Owners in each Tract shall pay all rentals, minimum royalty, advance rentals, or delay rentals due under the lease thereon and shall concurrently submit to the Unit Operator evidence of payment.

ARTICLE 12 NON-UNITIZED FORMATIONS

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals from a formation underlying the Unit Area other than the Unitized Formation shall have the right to do so notwithstanding this agreement or the Unit Agreement. In exercising the right, however,

such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that the production of Unitized Substances will not be affected adversely.

ARTICLE 13 TITLES

13.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth opposite its name in Exhibit "E" and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising because of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this agreement is concerned, as of 7 A.M. on the first day of the calendar month in which such failure is finally determined; and there shall be no retroactive adjustment of Unit Expense or retroactive allocation of Unitized Substances or the proceeds therefrom as a result of title failure.

13.2 Failure Because of Unit Operations. The failure of title to any Working Interest in any Tract because of Unit Operations, including non-production from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failures.

ARTICLE 14 LIABILITY, CLAIMS, AND SUITS

14.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Five Thousand Dollars (\$5,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds

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the above amount, Working Interest Owners shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this agreement and the Unit Agreement, the Working Interest Owner shall immediately notify Unit Operator; and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

ARTICLE 15 LAWS AND REGULATIONS

15.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective or that this agreement and operations hereunder shall not constitute a partnership, if for Federal Income-tax purposes this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto elects to be excluded from the application of all the provisions of Subchapter K, Chapter A, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including, specifically but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761-2. Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Unit Area is located or any future income tax law of the United States contain provisions similar to those in Subchapter K, Chapter A, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each of the parties agrees to make such election as may be permitted or required by such laws. In making this election, each of the parties states that the income derived by such party from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

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ARTICLE 16
NOTICES

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

ARTICLE 17
WITHDRAWAL OF WORKING INTEREST OWNER

17.1 Withdrawal. A Working Interest Owner may withdraw from this agreement provided the Royalty Interests against his Oil and Gas Rights do not exceed twenty-five percent (25%) by transferring without warranty of title, either express or implied, to the other Working Interest Owners, all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations. The instrument of transfer may be delivered to Unit Operator for the transferees. Such transfer shall not relieve the Working Interest Owner from any obligation or liability incurred prior to the date of delivery of the instrument of transfer. The interest transferred shall be owned by the transferees in proportion to their respective Unit Participations then in effect. Upon delivery of said instrument of transfer, the acquiring parties in proportion to the respective interest so acquired, shall pay to the withdrawing party an amount equal to such withdrawing party's interest in the fair salvage value of all jointly owned salvageable equipment, property, and facilities, less its share of the estimated cost of plugging and abandoning all wells then being used or held for Unit Operations hereunder as determined by Working Interest Owners. In the event such withdrawing party's interest in the aforesaid fair salvage value after deducting the estimated cost of salvaging same is less than the withdrawing party's share of the estimated cost of plugging and abandoning all wells then being used or held for Unit Operations, then the withdrawing party, as a condition precedent to withdrawal, shall pay in cash to the party or parties succeeding to its interest a sum equal to the deficiency. After the date of delivery of the instrument of transfer, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability hereunder and under the Unit Agreement; and the rights of such Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

ARTICLE 18
ABANDONMENT OF WELLS

18.1 Rights of Former Owners. If Working Interest Owners decide to permanently abandon any well within the Unit Area prior to

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termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located; and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator for credit to the joint account the amount determined by Working Interest Owners to be the net salvage value of the casing and equipment up to and including the wellhead. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the Unitized Formation and, upon abandonment, to plug the well in compliance with applicable laws and regulations.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

ARTICLE 19 EFFECTIVE DATE AND TERM

19.1 Effective Date. This agreement shall become effective when the Unit Agreement becomes effective.

19.2 Term. This agreement shall continue in effect so long as the Unit Agreement remains in effect and thereafter until (a) all Unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 20, (b) all Unit Equipment and real property acquired for the joint account has been disposed of by Unit Operator in accordance with instructions of Working Interest Owners, and (c) there has been a final accounting.

ARTICLE 20 ABANDONMENT OF OPERATIONS

20.1 Termination. Upon termination of the Unit Agreement, the following will occur:

20.1.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate tract shall no longer be affected by this agreement; and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

20.1.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located

thereon may do so by paying Unit Operator for credit to the joint account the net salvage value, as determined by Working Interest Owners, of the casing and equipment up to and including the wellhead in and on the wells taken over and by agreeing, upon abandonment, to plug each well in compliance with applicable laws and regulations.

20.1.3 Salvaging Wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

20.1.4 Cost of Abandonment. The cost of abandonment of Unit Operations shall be Unit Expense.

20.1.5 Distribution of Assets. Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participations.

ARTICLE 21 EXECUTION

21.1 Original, Counterpart, or Other Instrument. An owner of a Working Interest may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to become a party hereto. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

ARTICLE 22 SUCCESSORS AND ASSIGNS

22.1 Successors and Assigns. This agreement shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors, and assigns and shall constitute a covenant running with the land, leases, and interests covered hereby.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

Date:

JUN 21 1974

AMOCO PRODUCTION COMPANY

By:

John W. Plummer
Attorney-in-Fact




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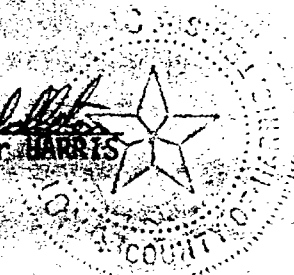
STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared JOHN W. PHENICIE, known to me to be the person who executed the foregoing instrument as ATTORNEY-IN-FACT of AMOCO PRODUCTION COMPANY, and acknowledged to me that he executed the same for the purpose and consideration therein expressed, as the act and deed of said corporation, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 21st day of June, 1974.


NOTARY PUBLIC in and for HARRIS
COUNTY, TEXAS



DOROTHY E. MIDDLETON
Notary Public in and for Harris County, Texas
My Commission Expires 6-1-75

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UNIT OPERATING AGREEMENT
SOUTH HOBBS (GRAYBURG - SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

WORKING INTEREST OWNERSHIP BY TRACTS
AND ATTRIBUTABLE UNIT PARTICIPATIONS

PART I

Tract Number	Tract Name	Working Interest Owner	Working Interest - %	Unit Participation - %		
				Phase I	Phase II	Phase III
1	State A-3	Amoco Production Company	100.00000	2.15837	1.60863	2.09710
2	State "A"	Amoco Production Company	100.00000	26.12872	25.11866	30.56335
3	State WHC	Amerada Hess Corporation	100.00000	.00000	.10325	.00650
4	State "H"	Amoco Production Company Landreth Interests J. H. Morris/As Agent/	37.71751 14.28149 58.00000 100.00000	.53001 .17259 .70261 1.40521	.59289 .19307 .78597 1.57193	.25970 .08457 .34427 .68854
5	State Bradley	Atlantic Richfield Company	100.00000	3.75878	3.12589	1.16496
6	Arco-Bradley	W. K. Byrom	100.00000	.41381	.47722	.32394
7	H. T. Orcutt State	W. K. Byrom Margaret M. McPherson R. L. McPherson Colleen M. Wallace	78.00000 12.50000 6.25000 5.25000 100.00000	.32548 .05425 .02712 .02712 .43397	.50300 .08383 .04192 .04192 .67067	.18919 .03153 .01577 .01577 .25226
8	State A-5	Continental Oil Company	100.00000	1.46091	1.68780	1.57486
9	State "U"	Skelly Oil Company	100.00000	.72690	.89555	.28652
10	State M-16	Moranco	100.00000	.08284	.25690	.04660

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Tract Number	Tract Name	Working Interest Owner	Working Interest - %	Unit Participation - %		
				Phase I	Phase II	Phase III
11	Turner Tr. 1 R/A "B"	Amoco Production Company	100.00000	2.66758	1.89310	2.13625
12	Turner Tr. 1 R/A "A"	Amoco Production Company	100.00000	2.07967	1.65055	2.52500
13	B. H. Turner Batt. 2	Skelly Oil Company	100.00000	2.41042	1.75577	1.26814
14	B. H. Turner	Skelly Oil Company	100.00000	1.32946	1.24827	1.82891
15	Turner Tr. 2	Amoco Production Company	100.00000	7.35405	6.04818	7.88115
16	McKinley	Amoco Production Company	100.00000	7.29832	5.76380	5.47440
17	H. D. McKinley	Sun Oil Company	100.00000	4.76117	4.79863	5.37857
18	Byers "B"	Amoco Production Company	100.00000	5.96554	5.43484	8.30632
19	Byers "A"	Amoco Production Company	100.00000	4.31108	4.17761	4.55077
20	Byers	Samedan Oil Corporation J. P. Cusack J. P. Cusack, Jr. Michael F. Cusack Sea Properties Ltd.	87.12500 8.50000 2.00000 2.00000 0.37500 100.00000	1.12875 .11012 .02591 .02591 .00486 1.29555	1.93563 .18884 .04444 .04443 .00833 2.22167	1.03187 .10067 .02369 .02369 .00444 1.18436
21	Capps	Amoco Production Company	100.00000	6.99465	6.80727	6.47467
22	H. D. McKinley	Texaco, Inc.	100.00000	4.50908	4.09088	3.24119

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Tract Number	Tract Name	Working Interest Owner	Working Interest - %	Unit Participation - %		
				Phase I	Phase II	Phase III
23	O. O. Bradley	W. K. Byrom Margaret M. McPherson J. M. Zachary Neville G. Penrose Partnership Properties Company Robert L. McPherson Colleen M. Wallace	50.00000 12.50000 10.31250 8.12500 6.56250 6.25000 6.25000 100.00000	.47393 .11848 .09775 .07701 .06220 .05924 .05924 .94785	.52416 .13104 .10811 .08518 .06880 .06552 .06551 1.04832	.16905 .04226 .03487 .02747 .02219 .02113 .02113 .33810
24	Bradley "B"	W. K. Byrom Margaret M. McPherson J. M. Zachary Neville G. Penrose Charles B. Read Partnership Properties Company Robert L. McPherson Colleen M. Wallace	46.67215 11.66807 9.62616 7.58424 6.65559 6.12573 5.83403 5.83403 100.00000	.33477 .08369 .06905 .05440 .04774 .04394 .04185 .04185 .71729	.37095 .09274 .07651 .06028 .05290 .04869 .04637 .04637 .79481	.13593 .03398 .02804 .02209 .01938 .01784 .01699 .01699 .29124
25	O. B. Terry	Albert Gackle, Operator Margaret B. Clay Rufus G. Clay Trusts Nos. 1, 2, 3 W. J. Clay and Ellen H. Clay, Trustees Management Trust Company, Trustee Adelaide F. Dwight Estate of James H. Snowden James M. Snowden	16.66667 7.08332 7.08332 14.16668 4.99999 16.66667 16.66668 16.66667 100.00000	.02863 .01217 .01217 .02433 .00859 .02862 .02863 .02862 .17176	.05955 .02531 .02531 .05062 .01787 .05956 .05956 .05956 .35734	.04772 .02028 .02028 .04056 .01431 .04772 .04772 .04772 .28631
26	Terry	Minerals, Inc.	100.00000	.27769	.37911	.20638
27	Terry	Amoco Production Company	100.00000	.28327	.57000	.51738

ILLEGIBLE

Tract Number	Tract Name	Working Interest Owner	Working Interest - %	Unit Participation - %		
				Phase I	Phase II	Phase III
28	Terry Tr. 3	Amoco Production Company	100.00000	.14554	.30451	.23639
29	Thorp R/A "A"	Amoco Production Company	100.00000	.91599	1.38285	2.58811
30	Thorp R/A "B"	Amoco Production Company	100.00000	1.25956	1.27253	.75697
31	Thorp R/A "C"	Amoco Production Company	100.00000	2.50174	1.92804	1.07076
32	Thorp	Shell Oil Company	100.00000	.77928	1.14829	1.05516
33	Terry Tr. 2	Amoco Production Company	100.00000	.94037	1.34872	1.39262
34	Terry	R. L. McPherson Margaret M. McPherson Colleen M. Wallace Robert L. Summers	8.33333 16.66667 8.33333 66.66667 100.00000	.09438 1.8875 1.09438 1.75502 1.13253	.12202 2.4413 1.12206 1.97650 1.46476	.07198 1.14395 1.07197 1.57578 1.86368
35	Terry Tr. 1 R/A "A"	Amoco Production Company	100.00000	.48790	1.00567	.69290
36	Terry "A"	Moranco	100.00000	.24400	.53460	.19921
37	Terry Tr. 1 R/A "B"	Amoco Production Company	100.00000	.33564	.68777	.25844
38	J. L. Crump	Atlantic Richfield Company	100.00000	.00000	.50165	.30377

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Tract Number	Tract Name	Working Interest Owner	Working Interest - %	Unit Participation - % Phase I	Phase II	Phase III
39	Crump	R. L. McPherson Margaret M. McPherson Colleen M. Wallace	25.00000 50.00000 25.00000 100.00000	.06814 .13629 .06815 .27258	.09475 .18950 .09475 .37900	.06215 .12429 .06215 .24859
40	Frank Selman	Atlantic Richfield Company	100.00000	.00000	.57569	.27039
41	Leech R/A "A"	Amoco Production Company	100.00000	.22209	.49063	.27071
42	Leech R/A "B"	Amoco Production Company	100.00000	.17083	.32575	.33192
43	Moore	V. V. Harris, Jr., Estate William J. Harris J. B. Umpleby Estate George Rogers Texaco, Inc. Helen Avara J. P. & Ila Crawford Mary L. Dunbar Joanne Grieb Dalco Oil Company Christine Johnson Loma, Inc. Margaret Harris Long The Moore Trust	.92593 .92593 1.38888 6.25000 18.05555 4.16667 2.77776 4.16667 25.00000 12.50000 4.16668 6.25000 0.92593 12.50000 100.00000	.00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000 .00000	.00193 .00193 .00289 .01302 .03760 .00868 .00578 .00868 .05206 .02603 .00868 .01301 .00193 .02603 .20825	.00051 .00051 .00076 .00342 .00989 .00228 .00152 .00228 .01370 .00685 .00228 .00342 .00051 .00685 .05478
44	Nordon Corp. Ltd.	Texaco, Inc. Amoco Production Company	95.83333 4.16667 100.00000	.16051 .00698 .16749	.48890 .02126 .51016	.17296 .00752 .18048

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Tract
Number

Tract Name

Working Interest
Owner

Oil & Gas

Interest

Value

Area

43 Frank Seiman

Leased

100.0000

5000

100.0000

100.0000

45 Frank Seiman

Leased

100.0000

5000

100.0000

100.0000

43 Frank Seiman

Leased

100.0000

5000

100.0000

100.0000

48 Frank Seiman

Leased

100.0000

5000

100.0000

100.0000

49 Frank Seiman

Leased

100.0000

5000

100.0000

100.0000

50 Frank Seiman

Leased

100.0000

5000

100.0000

100.0000

TOTAL

ILLEGIBLE

Amstar, Inc. is a public company.
Amstar, Inc. is a public company.
Amstar, Inc. is a public company.

Atlantic Richfield Company

UNIT OPERATING AGREEMENT
SOUTH HOBBY (GRAYBURG) SAN ANDRES
LEA COUNTY, NEW MEXICO

STAINLESS STEEL

Handmade

Unit Participation

1990

THE

THE UNIVERSITY OF CHICAGO

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ILLEGIBLE

Working Interest Owner

Heinrich Ayapp

M. J. Bynon

Margaret B. Clay

Robert B. Clay Trusts Nos. 1, 2 & 3

W. J. A. Ellen Clay Trusts

Continental Oil Company

J. S. A. T. Crawford

J. P. Cusack

J. P. Cusack, Jr.

Michael F. Cusack

Mary Dunbar

Adelaide Dwight

Albert Gackle, Operator

Joanne Grieb

V. V. Harris, Jr., Estate

M. J. Harris

Dalco Oil Company

Tract Number

Porter

Unit Participation

Phase 1

Unit 1

43

43

43

43

26

45

43

20

20

20

43

43

43

43

43

43

43

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43

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Working Interest Owner	Tract Numbers	Unit Participation		
		Phase I	Phase II	Phase III
Christine Johnson	43	.00000	.00868	.00228
Landreth Interests	4	.17259	.19307	.08457
Loma, Inc.	43	.00000	.01302	.00342
Margaret Harris Long	43	.00000	.00193	.00051
Management Trust Company, Trustee	25	.00859	.01787	.01431
R. L. McPherson	7	.02712	.04192	.01577
	23	.05924	.06552	.02113
	24	.04185	.04637	.01699
	34	.09438	.12207	.07198
	39	.06814	.09475	.06215
		<u>.29073</u>	<u>.37063</u>	<u>.18802</u>
Margaret M. McPherson	7	.05425	.08383	.03153
	23	.11848	.13104	.04226
	24	.08369	.09274	.03398
	34	.18875	.24413	.14395
	39	.13629	.18950	.12429
		<u>.58146</u>	<u>.74124</u>	<u>.37601</u>
Minerals, Inc.	26	.27769	.37911	.20638
The Moore Trust	43	.00000	.02603	.00685
Moranco	10	.08284	.25690	.04660
	36	.24400	.53460	.19921
		<u>.32684</u>	<u>.79150</u>	<u>.24581</u>
J. H. Morris, as Agent	4	.70261	.78597	.34427

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Working Interest Owners

Neville G. Penrose
 Partnership Properties Company
 Charles B. Read
 George Rogers
 Samedan Oil Corporation
 Sea Properties, Ltd.
 Shell Oil Company
 Skelly Oil Company
 Estate of James H. Snowden
 James M. Snowden
 R. L. Summers
 Sun Oil Company

Tract Numbers	Unit Participation - %		
	Phase I	Phase II	Phase III
23	.07701	.08518	.02747
24	.05440	.06028	.02209
	.13141	.14546	.04956
23	.06420	.06879	.02219
24	.04394	.04869	.01784
	.10614	.11748	.04003
24	.04774	.05290	.01938
43	.00000	.01301	.00342
20	1.12875	1.93563	1.03187
20	.00486	.00833	.00444
32	.77929	1.14829	1.05516
9	.72690	.89555	.28652
13	2.41042	1.75577	1.26814
14	1.32946	1.24827	1.82891
	4.46678	3.89959	3.38357
25	.02863	.05956	.04772
25	.02863	.05956	.04772
34	.75502	.97650	.57578
17	4.76117	4.79863	5.37857

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EXHIBIT "F"

Attached to and made a part of UNIT OPERATING AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

ACCOUNTING PROCEDURE
(JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions
 "Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.
 "Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
 "Operator" shall mean the party designated to conduct the Joint Operations.
 "Non-Operators" shall mean the nonoperating parties, whether one or more.
 "Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.
 "Parties" shall mean Operator and Non-Operators.
 "Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
 "Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
2. Conflict with Agreement
 In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.
2. Collective Action by Non-Operators
 Where an agreement or other action of Non-Operator is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.
4. Statements and Billings
 Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph B or C below as applicable:
 - A. Statement in detail of all charges and credits to the Joint Account.
 - B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof. (Shall be used after first two (2) years of Unit Operation.)
 - C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed. (Shall be used for first two (2) years of Unit Operation.)
5. Payment and Advances by Non-Operators
 Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of ten per cent (10%) per annum until paid.
6. Adjustments
 Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.
7. Audits
 A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

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II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties
Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.
2. Labor
 - A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.
 - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
 - C. Expenses or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost, or salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
 - D. Reimbursement of personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A or 2B of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.
3. Employee Benefits
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus and other benefit plans of a like nature, applicable to Operator's labor cost; provided, however, the total of such charges shall not exceed fifteen per cent (15%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
4. Material
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. Transportation
Transportation of employees and material necessary for the Joint Operations but subject to the following limitations:
 - A. If material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
 - B. If surplus material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving material to other properties belonging to Operator, except by agreement with Non-Operators.
 - C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. Services
 - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
 - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.
7. Damages and Losses to Joint Property
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. Legal Expense
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. Taxes
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

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1. Insurance Premiums

Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

2. Other Expenses

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator shall charge the Joint Account for indirect costs, either by use of an allocation of district expense rate plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III, or by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

Operator shall charge the Joint Account under the terms of:

- ☐ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- ☐ Paragraph 4. (Combined fixed rate.)

1. District Expense

Operator shall charge the Joint Account with a pro-rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties; and a pro-rata portion of the cost of maintaining and operating a production office known as Operator's _____ office (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary costs, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practices.

2. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expenses of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 3 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth) Each Well	PRODUCING WELL RATE (Use Current Producing Depth)		
		First Five	Next Five	Over Ten

The cost of expense of services from outside sources in connection with matters of law, title, accounting, or matters before or involving governmental agencies shall be considered as included in the warehouse rates provided for in Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators to be charged to the Joint Account.

3. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Based on the agreed procedure to be followed by the Operator.)

Combined Fixed Rates

Operator shall charge the Joint Account for the services covered by Paragraphs 1, 2 and 3 of this Section III, the following combined and well rates:

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2. Material furnished from Operator's Warehouse or Other Properties

A. New Material (Condition "A")

- (1) Tubular goods, two inch (2") and over, shall be priced on Eastern rail base (i.e., Huntington, Ohio; or Ohio, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and plus railway receiving point nearest the Joint Property, regardless of quantity. In reconditioned tubing charged, Operator is permitted to include ten cents (10¢) per hundred weight on all tubular goods furnished from his shops, in lieu of loading and unloading costs sustained.
- (2) Other Material shall be priced at the current replacement cost of new same kind or material, effective at date of movement and f.o.b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
- (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for repair of out of order for use, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which cannot be classified as Condition "B" but which
 - (a) After reconditioning will be further serviceable for original use or for other use, shall be classified as Condition "B", or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purposes.
- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 2 and 3 of Section IV, due to unusual national, emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, as stated on invoice, suitable for use, and in moving it to the Joint Property, provided, that when such Material is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Such Non-Operator shall have the right, by so electing and notifying Operator within ten (10) days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall be made to the Joint Account until adjustment has been received by Operator from the manufacturer or their agents.

5. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended in the charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include repairs and expenses of operator.
- B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
- C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSITION OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest in surplus material for surplus Condition "B" Material. The disposition of surplus uncontrollable material not purchased by Operator shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal surplus Condition "B" Material within 90 days by transfer or sale from the Joint Property.

Material Purchased by the Operator or Non-Operators

Material purchased by either the Operator or Non-Operators shall be credited to the Joint Account in the month in which the Material is removed by the purchaser.

Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the needed for their interests in such Material. The Parties will thereupon be charged individually with the value of the Material received, as receivable. Proper credits shall be made by the Operator in the monthly statements of operations.

Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited to Operator in the Joint Account in the month amount collected by Operator from vendee. Any claims or credits related to such sales shall be paid to the vendee by the Joint Account if and when paid by Vendee.

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VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined
New prices used in this Section VI shall be the price specified for the Material in Section IV.
2. New Material
New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price plus sales tax, if any.
3. Good Used Material
Good Used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for new use without reconditioning:
 - A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
 - B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as hand at seventy-five per cent (75%) of new price.
4. Other Used Material
Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:
 - A. is not in sound and serviceable condition but suitable for new use after reconditioning, or
 - B. is serviceable for original function but not suitable for reconditioning.
5. Bad-Order Material
Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for other purposes at a price comparable with that of items normally used for such other purpose.
6. Junk Material
Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.
7. Temporarily Used Material
When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price provided for in Paragraph 3B of this Section VI, such Material shall be priced on a basis that will cover a net cost to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally controlled jointly by the Parties.

1. Periodic Inventories, Notice and Representation
At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include such Material as is commonly considered controlable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to be taken that Non-Operators may be represented when inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.
2. Reconciliation and Adjustment of Inventories
Reconciliation of inventory with charges to the Joint Account shall be made and a list of overages and shortages be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for non-payment of the overages, lack of reasonable diligence.
3. Special Inventories
Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It is the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest. In such cases, both the seller and the purchaser shall be governed by the inventory.

ILLEGIBLE

EXHIBIT "G"

ATTACHED TO AND MADE A PART OF

UNIT OPERATING AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

INSURANCE PROVISIONS

Unit Operator shall carry the following insurance with respect to operations on all lands subject to this agreement.

(a) Workmen's compensation insurance, including employer's liability, in compliance with the Workmen's Compensation Laws of the State of New Mexico.

(b) Comprehensive general liability insurance, excluding products, with a single combined limit of \$500,000 each accident for bodily injuries or death or property damage.

(c) Automobile public liability and property damage insurance with a single combined limit of \$500,000 each accident for bodily injuries or death or property damage.

(d) Such additional insurance as may hereafter be required by law.

All insurance coverage required hereby shall be carried at the joint expense and for the benefit of the parties hereto, except for the premiums for Automobile Public Liability and Property Damage Insurance on Unit Operator's fully owned equipment, which shall not be charged directly to the joint account but will instead be covered by the flat-rate charges assessed the unit for use of such equipment. Unit Operator will not carry fire, windstorm, or explosion insurance covering operations hereunder. Unit Operator shall require its contractors and subcontractors working and performing services on lands committed hereto to comply with the Workmen's Compensation Laws of the State of New Mexico and to carry other insurance of the types specified above and in such amounts as the Unit Operator shall deem necessary.

ILLEGIBLE

UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

<u>Section</u>	<u>Index</u>	<u>Page</u>
	Preliminary Recitals	1
1	Enabling Act and Regulations	2
2	Unit Area and Definitions	2
3	Exhibits	4
4	Expansion	4
5	Unitized Land	5
6	Unit Operator	6
7	Resignation or Removal of Unit Operator	6
8	Successor Unit Operator	7
9	Accounting Provisions and Unit Operating Agreement . . .	7
10	Rights and Obligations of Unit Operator	8
11	Plan of Operations	8
12	Use of Surface and Use of Water	9
13	Tract Participation	9
14	Tracts Qualified for Participation	11
15	Allocation of Unitized Substances	12
16	FEA Pricing	14
17	Outside Substances	16
18	Royalty Settlement	16
19	Rental Settlement	17
20	Conservation	18
21	Drainage	18
22	Leases and Contracts Conformed and Extended	18
23	Covenants Run With Land	20
24	Effective Date and Term	20
25	Rate of Production and Disposal Thereof	21
26	Nondiscrimination	22
27	Appearances	22
28	Notices	22
29	No Waiver of Certain Rights	22
30	Equipment and Facilities Not Fixtures Attached to Realty	23
31	Unavoidable Delay	23
32	Loss of Title	23
33	Nonjoinder and Subsequent Joinder	23
34	Counterparts	24
35	Joinder in Dual Capacity	24
36	Taxes	25
37	No Partnership	25
38	Production as of the Effective Date	25
39	Statutory Unitization	25
	Exhibit A (Map of Unit Area)	
	Exhibit B (Schedule of Ownership)	
	Exhibit C (Schedule of Tract Participation)	
	Exhibit D (Appendix - Federal Contract Provisions)	

UNIT AGREEMENT
NORTH HOBBS (GRAYBURGSAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of July, 1978, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto";

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 88, Laws 1943 as amended by Sec. 1, Chap. 176, Laws 1961; Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 Ann.) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1, Chap. 162, Laws 1951; Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 Ann.) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico is authorized by law (Chap. 65, Art. 3 and Art. 14, N.M.S. 1953 Ann.) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the North Hobbs (Grayburg-San Andres) Unit 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, to prevent waste and secure the other benefits obtainable through development and operation of the area subject to this Agreement under the terms, conditions and limitations herein set forth.

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

SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands described in Exhibit B and depicted on Exhibit A hereof, and such land is hereby designated and recognized as constituting the Unit Area, containing 10,649.53 acres, more or less, in Lea County, New Mexico.

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

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

(d) "Unitized Formation" shall mean that subsurface portion of the Unit Area known as the Grayburg-San Andres formation of Permian Age found in the interval between the stratigraphic depth of 3698 feet as measured on the Borehole Compensated Sonic-Gamma Ray Log run in the Shell Oil Company - State A-7 well on July 9, 1969, said well being located 1930 feet FNL and 660 feet FEL of Section 32-T18S-R38E, Lea County, New Mexico, and the depth of 4500 feet beneath the surface.

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

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

(g) "Tract Participation" is defined as the percentage of participation shown on Exhibit C for allocating Unitized Substances to a Tract under this Agreement, such percentages or participation being shown separately as to oil and as to gas.

(h) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract as to oil.

(i) "Working Interest" is the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substances from the Unitized Formation and operations thereof hereunder. Provided that any Royalty Interest created out of a Working Interest subsequent to the execution of this Agreement by the owner of the working interest shall continue to be subject to such Working Interest burdens and obligations.

(j) "Working Interest Owner" is any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise. The owner of Oil and Gas Rights that are free of lease or other instrument creating a Working Interest in another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

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

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

(m) "Unit Operating Agreement" is the agreement entered into by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be styled "Unit Operating Agreement, North Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico".

(n) "Oil and Gas Rights" is the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(o) "Outside Substances" are any substances obtained from any source other than the Unitized Formation and injected into the Unitized Formation.

(p) "Unit Manager" is any person or corporation appointed by Working Interest Owners to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 7 hereof.

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

(r) "Unit Operations" are any operations conducted pursuant to this Agreement and the Unit Operating Agreement.

(s) "Unit Equipment" is all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(t) "Unit Expense" is all cost, expense, or indebtedness incurred pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

(u) "Effective Date" is the date this Agreement becomes effective as provided in Section 24.

SECTION 3. EXHIBITS. Exhibit A attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each Tract, percentages and kind of ownership of oil and gas interests in all land in the Unit Area. Exhibit C attached hereto shows the Tract Participation of each Tract 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. Exhibit D attached hereto is an appendix setting out certain federal contract provisions. Exhibits, A, B, and C shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary and copies of such revision shall be filed with the Land Commissioner.

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

(a) The working interest owner or owners of lands desiring to bring such lands into this unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice of the proposed expansion to each Working Interest Owner in the Unit Area and to each working interest owner in the lands proposed to be included in the unit, setting out the basis for admission, the Tract Participation to be assigned to each Tract in the enlarged Unit Area and other pertinent data. After negotiation (at Working Interest Owner's meeting or through correspondence) if at least three Working Interest Owners having in the aggregate seventy-five percent (75%) Unit Participation then in effect have agreed to inclusion of such lands in the Unit Area, the Unit Operator shall:

(1) After obtaining preliminary concurrence by the Land Commissioner and the Division, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional lands, the Tract Participation to be assigned thereto and the proposed effective date thereof; and

(2) Mail or deliver copies of said notice to the Land Commissioner, each Working Interest Owner and Royalty Owner, and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above, with the Land Commissioner: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for approval of such expansion; (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, and Section 33, infra; and (d) A copy of all objections received along with the Unit Operator's response thereto.

The expansion shall, after due consideration of all pertinent information and approval by the Land Commissioner, become effective as of the date prescribed in the notice thereof, preferably as of 7:00 a.m. of the first day of a month subsequent to the date of notice. The revised Tract Participation of the respective Tracts included within the Unit Area prior to such enlargement shall remain in the same ratio one to another.

SECTION 5. UNITIZED LAND. All land committed to this Agreement as to the Unitized Formation shall constitute land referred to herein as "Unitized Land" or "Land subject to this Agreement". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as defined in Section 2 (h) of this Agreement.

SECTION 6. UNIT OPERATOR. Shell Oil Company is hereby designated the Unit Operator, and by signing this instrument as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, when such interests are owned by it, and the term "Working Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

The interests of Working Interest Owners and the Unit Operator in the Unit Area shall be subject to a reciprocal lien and security interest to the extent provided in the Unit Operating Agreement.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners and the Land Commissioner unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period. The resignation or removal of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation or removal.

The Unit Operator shall be subject to removal by Working Interest Owners having in the aggregate eighty percent (80%) or more Unit Participation then in effect exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Land Commissioner.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal become effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials, appurtenances and any other assets used in connection with the Unit Operations

and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected, to be used for the purpose of conducting Unit Operations hereunder. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Land Commissioner. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Land Commissioner, at his election, may declare this Agreement terminated.

In selecting a successor Unit Operator the affirmative vote of three or more Working Interest Owners having a total of sixty-five percent (65%) or more of the total Unit Participation then in effect shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one or more other Working Interest Owners having a total Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of the owners of at least seventy-five percent (75%) of the Unit Participation remaining after excluding the Unit Participation of Unit Operator so removed.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT AGREEMENT. Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Agreement or to relieve the

Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Land Commissioner.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances or for conducting other Unit Operations are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request, acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances and that the object and purpose of this Agreement is to formulate and to put into effect an enhanced recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a Plan of Operation by the Working Interest Owners, the Land Commissioner and the Division, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gases and any one or more other substances or combination of substances whether produced from the Unitized Land or not, and that the location of input wells and the rates of injection therein shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval the Plan of Operation may be revised as conditions may warrant.

The initial Plan of Operation shall be filed with the Land Commissioner and the Division concurrently with the filing of this Agreement for final approval. Said initial Plan of Operation and all revisions thereof shall be as complete and adequate as the Land Commissioner and the Division may determine to be necessary for timely operation consistent herewith. Upon approval of this Agreement and the initial plan by the Land Commissioner, said plan, and all subsequently approved plans shall constitute

the operating obligations of the Unit Operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation. After such operations are commenced, reasonable diligence shall be exercised by the Unit Operator in complying with the obligations of the approved Plan of Operation.

Notwithstanding anything to the contrary herein contained, should the Unit Operator fail to commence operation of an enhanced recovery project incorporating the injection of water within eighteen (18) months after the Effective Date of this Agreement, or any extension thereof approved by the Land Commissioner, this Agreement shall terminate automatically as of the date of default.

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

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

Unit Operator shall pay the party or parties entitled thereto for damages to growing crops, timber, fences, improvements and structures on the Unitized Land that result from Unit Operations.

SECTION 13. TRACT PARTICIPATION. In Exhibit C attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, shown separately as to oil and as to gas, during Phase I, Phase II and Phase III of Unit Operations if all Tracts in the Unit Area qualify as provided herein. The Phase I, Phase II and Phase III Tract Participations of each Tract as shown in Exhibit C were determined in accordance with the following formulas, using data heretofore approved by Working Interest Owners:

TRACT PARTICIPATION:

During Phase I:	As to oil:	20% A ÷ 80% B
	As to gas:	20% C ÷ 80% D

During Phase II:	As to oil:	100% B
	As to gas:	100% D
During Phase III:	As to oil:	100% E
	As to gas:	100% E

Where: A = Ratio of the quantity of 1976 oil production from each Tract to the total quantity of 1976 oil production from all Tracts within the Unit Area.

B = Ratio of the quantity of remaining primary oil reserves (as of 1/1/77) of each Tract to the total quantity of remaining primary oil reserves (as of 1/1/77) of all Tracts within the Unit Area.

C = Ratio of the volume of 1976 gas production from each Tract to the total volume of 1976 gas production from all Tracts within the Unit Area.

D = Ratio of the volume of remaining primary gas reserves (as of 1/1/77) of each Tract to the total volume of remaining primary gas reserves (as of 1/1/77) of all Tracts within the Unit Area.

E = Ratio of the quantity of secondary oil reserves of each Tract to the total quantity of secondary oil reserves of all Tracts within the Unit Area.

Phase I shall begin on the Effective Date of this Agreement and continue until the first day of the calendar month next following the date on which the total number of barrels of oil produced after said Effective Date from the Unitized Formation underlying all Tracts described in the original Exhibit B hereof equals 4,000,000 barrels as determined from the official production reports (currently known as C-115 reports) filed with the New Mexico Oil Conservation Commission or its successor. Phase II shall begin with the termination of Phase I and continue until the first day of the calendar month next following the date on which the total number of barrels of oil produced after January 1, 1977, from the Unitized Formation underlying all Tracts described in the original Exhibit B hereof equals 38,071,683 barrels determined in the same manner as aforesaid. Phase III shall begin with the termination of Phase II and continue for the remainder of the term of this Agreement. Unit Operator shall notify the Land Commissioner and all Working Interest Owners as to the date each phase change occurs.

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

number of barrels of oil that shall determine the duration of Phase I shall remain at 4,000,000 barrels, and the total number of barrels of oil that shall determine the duration of Phase II shall remain at 38,071,683 barrels; however, oil produced from all Tracts within the Unit Area, non-qualified Tracts as well as qualified Tracts, shall be counted for purposes of determining the production of said totals of 4,000,000 barrels as to Phase I and 38,071,683 barrels as to Phase II.

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

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

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this Agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest have become parties to this Agreement, and as to which (1) Working Interest Owners, including the Working Interest Owner who operates the Tract, owning a total of seventy-five percent (75%) or more of the Working Interest in such Tract that is committed to this agreement have joined in a request for qualification of such Tract, and as to which (2) Working Interest Owners having seventy-five percent (75%) or more of the combined Phase III Unit Participation in all Tracts that meet the requirements of Section 14 (a) above have voted in favor of the qualification of such Tract.

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this Agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (1) one or more of the Working Interest Owners in such Tract who have become parties to this Agreement, one of which must be the operator of such Tract, have joined in a request for qualification of such Tract, and have executed and delivered, or obligated themselves to execute and deliver, an indemnity agreement identical in form to the agreement attached to the Unit Operating Agreement as Exhibit H indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interest in such

Tract who are not parties to this Agreement, and which arise out of the qualification of such Tract; and as to which (2) Working Interest Owners having seventy-five percent (75%) or more of the Phase III Unit Participation in all Tracts that meet the requirements of Section 14 (a) and 14(b) have voted in favor of the qualification of such Tract and to accept the indemnity agreement. Upon the qualification of such a Tract, the Tract Participations which would have been attributed to the non-subscribing owners of Working Interest in such Tract, had they become parties to this Agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, and joined in the indemnity agreement, in proportion to their respective Working Interests in the Tract.

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

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on Unitized Land for drilling, operating, camp and other production or development purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the Land Commissioner) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit C. The amount of Unitized Substances so allocated to each Tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract) shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for, to the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and

upon the same conditions, as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No Tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances.

If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned now or hereafter in severalty by different persons, the Tract Participation during Phase I, Phase II and Phase III shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on Unitized Land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 18 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party responsible therefor under the controlling lease or contract. In the event any Working Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation currently as and when produced, then so long as such condition continues, Unit Operator, for the account and at the expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing the operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such production to itself or to others on a day-to-day basis, provided that all contracts of sale by the Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year, and at not less than the prevailing market price in the area for like production, and the account of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner sixty (60) days notice of such intended sale.

Any Working Interest Owner receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty, overriding royalty and production payments due thereon, and each such party shall hold each other Working Interest Owner harmless against all claims, demands and causes of action by owners of such Royalty, overriding royalty and production payments.

If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any Tract or Tracts within the Unit Area not committed hereto as of the Effective Date hereof but which are subsequently committed hereto under the provisions of Section 14 (Tracts Qualified for Participation) and Section 33 (Nonjoinder and Subsequent Joinder), or if any Tract is excluded from this Agreement as provided for in Section 32 (Loss of Title), the schedule of participation as shown in Exhibit C, shall be revised by the Unit Operator; and the revised Exhibit C, upon approval by the Land Commissioner, shall govern the allocation of production on and after the effective date thereof until a revised schedule is approved as hereinabove provided. In any such revised Exhibit C, pursuant to this paragraph, the Tract Participation of the previously qualified Tracts shall remain in the same ratio one to the other.

SECTION 16. FEA PRICING. It is anticipated that at the Effective Date hereof, crude oil produced, saved and sold from the North Hobbs (Grayburg-San Andres) Unit will be subject to the rules and regulations of the Federal Energy Administration or its successor, herein referred to as "FEA". Such rules and regulations provide for the classification of crude oil for pricing purposes as (a) Stripper Well Crude Oil, (b) Old Oil, and (c) Upper Tier Crude Oil. It is further anticipated that Unit Operator will, in compliance with applicable FEA rules and regulations, prepare a unit-wide certification covering monthly crude oil production from the unit, in which event it will be necessary for Unit Operator to implement a method for the allocation of the unit certification among the Tracts comprising the unit. It is the intention of the parties to this agreement that the interest owners in each Tract shall retain the regulatory benefits attributable to that Tract to the extent that the unit is legally permitted to retain such benefits. Under the FEA rules and regulations as of October 1976, a unit certification is allowed each month to include in the Upper Tier Crude Oil portion thereof, a constant number of barrels described by FEA rules and regulations as Imputed Upper Tier Crude Oil. The unit certification is further allowed each month to include in the Stripper Well Crude Oil portion thereof, a constant number of barrels described by FEA rules and regulations as Imputed Stripper Well Crude Oil. In view of the foregoing, and notwithstanding the provisions of Section 15 hereof, crude oil produced, saved and sold from the unit shall be allocated as follows:

(a) Imputed Stripper Well Crude Oil. The first oil produced, saved and sold each month up to a quantity equal to the unit's Imputed Stripper Well Crude Oil shall be allocated to Tracts contributing Imputed Stripper Well Crude Oil to the unit certification in proportion to their contributions of such Imputed Stripper Well Crude Oil. Should any Tract in any month be allocated out of unit production in accordance with its Tract Participation as set forth in this agreement, a total number of barrels of oil that is less than the Imputed Stripper Well Crude Oil that such Tract has contributed to the unit certification, then such Tract's allocation of Imputed Stripper Well Crude Oil shall be reduced by the amount that the Imputed Stripper Crude Oil exceeds the amount of oil to be allocated in accordance with its Tract Participation. The amount in excess of its Tract Participation shall be termed Excess Imputed Stripper Well Crude Oil. The total Excess Imputed Stripper Well Crude Oil of all Tracts shall be allocated to all Tracts, including Tracts which have not contributed Imputed Stripper Well Crude Oil to the unit certification, in proportion to the quantities that the unit production allocated to a Tract by its Tract Participation exceeds the quantity of Imputed Stripper Well Crude Oil allocated to such Tract.

(b) Imputed Upper Tier Crude Oil. Oil produced, saved, and sold each month from the unit after a quantity of oil equal to the Imputed Stripper Well Crude Oil is produced, saved and sold, up to a quantity equal to the Imputed Upper Tier Crude Oil, shall be allocated to those Tracts contributing Imputed Upper Tier Crude Oil to the unit certification in proportion to their contributions of such Imputed Upper Tier Crude Oil. Should any Tract in any month be allocated out of Unit production in accordance with its Tract Participation as set forth in this agreement, a total number of barrels of oil that is less than the sum of its Imputed Stripper Well Crude Oil, its Excess Imputed Stripper Well Crude Oil as provided in subparagraph (a) above, and its allocated Imputed Upper Tier Crude Oil, then such Tract's allocation of Imputed Upper Tier Crude Oil shall be reduced by the quantity that the sum of the Tract's Imputed Stripper Well Crude Oil, its Excess Imputed Stripper Crude Oil and its allocated Imputed Upper Tier Crude Oil exceeds the total quantity of oil to be allocated in accordance with its Tract Participation. The amount in excess of its Tract Participation shall be termed Excess Imputed Upper Tier Crude Oil. The total Excess Imputed Upper Tier Crude Oil of all Tracts shall be allocated to all Tracts, including Tracts which have not contributed Imputed Stripper Well Crude Oil and/or Imputed Upper Tier Crude Oil to the unit certification, in proportion to the quantities that the unit production allocated to a Tract by its Tract Participation exceeds the sum of the Imputed Stripper Well Crude, Excess Imputed Stripper Well Crude Oil and Imputed Upper Tier Crude Oil allocated to such Tract.

(c) Upper Tier Crude Oil and Old Oil shall each be allocated to each Tract in proportion to the quantities that the unit production allocated

to a Tract by its Tract Participation exceeds the sum of the allocated Imputed Stripper Well Crude Oil, Excess Imputed Stripper Well Crude Oil, Imputed Upper Tier Crude Oil and Excess Imputed Upper Tier Crude Oil allocated to such Tract.

The provisions of this Section 16 shall remain in effect only so long as necessary for the unit to comply with applicable laws, rules and regulations of appropriate governmental authorities. Should such laws, rules, and regulations hereafter change substantially so as to alter the basis for a certification of unit production as set forth above, then in such event a method of allocating the certification among the Tracts comprising the unit shall be implemented by Unit Operator which as nearly as possible achieves the above-stated intention hereof. In any event the provisions of this Section 16 shall automatically terminate in their entirety upon the production of 23,000,000 barrels of oil after the Effective Date from the Unitized Formation underlying all Tracts described in the original Exhibit B hereof; thereafter all oil produced, saved and sold from the unit shall, as to each and every category into which such production may then or thereafter be classified for pricing or other purposes, be allocated to all qualified Tracts in proportion to Tract Participation in accordance with the provisions of Section 15. The provisions of this section shall be deemed supplementary to the other provisions of this Agreement and the provisions of the Unit Operating Agreement so that nothing contained herein shall alter the terms of such agreements, including but not limited to the portions thereof dealing with Tract Participation, allocation of unit production, and allocation of investment and operating costs.

SECTION 17. OUTSIDE SUBSTANCES. If gas obtained from any source other than the Unitized Formation is introduced into the Unitized Formation for use in repressuring, stimulating of production or increasing ultimate recovery, which shall be in conformity with a Plan of Operation first approved by the Land Commissioner and the Division, a like amount of gas with appropriate deduction for loss or depletion from any cause may be withdrawn from unit wells completed in the Unitized Formation royalty free as to dry gas, but not royalty free as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Operation or as otherwise may be consented to or prescribed by the Land Commissioner and the Division as conforming to good petroleum engineering practices and provided further that such right of withdrawal shall terminate on the termination date of this Agreement.

SECTION 18. ROYALTY SETTLEMENT. Any and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any Tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances

allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed on Unitized Substances as allocated to each Tract in accordance with the terms of this Agreement. With respect to Federal leases committed hereto on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations pertaining to Federal leases as though the committed Tracts were included in a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline runs per well from such Tract during any period of time, then such production shall be determined from and after the Effective Date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon completed in the Unitized Formation as of the Effective Date hereof, provided that any Tract not having any well completed in the Unitized Formation on the Effective Date hereof shall be considered as having one such well for the purpose of this provision.

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

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a Tract or Tracts within the Unit Area as its interest is indicated in Exhibit B attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner hereof shall be reduced proportionately and the interests of all parties shall be adjusted accordingly.

SECTION 19. RENTAL SETTLEMENT. Rentals or minimum Royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations provided that

nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum Royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum Royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless such rental or minimum Royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 20. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 21. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this Agreement.

The Unit Operator, upon approval by the Working Interest Owners and the Land Commissioner, is hereby empowered to enter into a border line agreement or agreements with working interest owners of adjoining lands not subject to this Agreement with respect to operation in the border area for the maximum economic recovery, conservation purposes and proper protection of the parties and interest affected.

SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Land Commissioner and the Secretary of the Interior of the United States of America (hereinafter referred to as "Secretary"), respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of State and Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all

obligations for development and operation with respect to each part or separately owned Tract subject to this Agreement, regardless of whether there is any development of any particular part or Tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling, producing or enhanced recovery operations performed hereunder shall be deemed to be performed upon and for the benefit of each Tract, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

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

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

(e) 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.

(f) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the Effective Date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or improved recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production

of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(g) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960, (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the 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."

SECTION 23. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original or acceptable photostatic or certified copy of the recorded instrument of transfer.

SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective on the first day of the calendar month next following the approval of this Agreement by the Land Commissioner and the Division, and the filing by Unit Operator of this Agreement or notice thereof for record in the office of the County Clerk of Lea County, New Mexico. Unit Operator shall not file this Agreement or notice thereof for record, and hence this Agreement shall not become effective, unless such filing is approved by Working Interest Owners owning a combined Phase III Unit Participation of at least eighty percent (80%) as to all Tracts then qualified under the provisions of Section 14.

If this Agreement does not become effective on or before January 1, 1980, it shall ipso facto expire on said date (hereinafter called "expiration

date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Phase III Unit Participation of at least seventy-five percent (75%), and the owners of at least seventy-five percent (75%) of such Working Interest committed to this Agreement have decided to extend said expiration date for a period not to exceed one year (hereinafter called "extended expiration date"). If said expiration date is so extended and this Agreement does not become effective on or before said extended expiration date, it shall ipso facto expire on said extended expiration date and thereafter be of no further force or effect.

Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for record in the office of the County Clerk of Lea County, New Mexico, a certificate to the effect that this Agreement has become effective in accordance with its terms and stating the Effective Date.

The term of this Agreement shall be for and during the time that Unitized Substances are produced from the Unitized Land and so long thereafter as drilling, reworking or other operations (including enhanced recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the Land Commissioner by Working Interest Owners owning eighty percent (80%) or more of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Lea County, New Mexico, within thirty (30) days of the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

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

SECTION 25. RATE OF PRODUCTION AND DISPOSAL THEREOF. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute.

SECTION 26. NONDISCRIMINATION. Unit Operator in connection with the performance of work under this Agreement relating to leases of the United States agrees to comply with the provisions of Exhibit D attached hereto and made a part hereof.

SECTION 27. APPEARANCES. Unless a different representative is designated by Working Interest Owners, Unit Operator shall have the right to appear for or on behalf of any interests affected hereby before the Land Commissioner, the Department of the Interior of the United States of America, and the Division, and to appeal from any order issued under the rules and regulations of the Land Commissioner, the Department or the Division, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Land Commissioner, the Department or the Division or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified or registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 29. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, each party hereto covenants that it will not resort to any action to partition the Unitized Land or the Unit Equipment.

SECTION 30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this Agreement various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all purposes of this Agreement all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, all such well and lease equipment and personal property is hereby severed from the mineral estates affected by this Agreement, and it is agreed that all

such equipment and personal property shall be and remain personal property of the Working Interest Owners for all purposes and the rights and interests therein as among Working Interest Owners shall be as set forth in the Unit Operating Agreement.

SECTION 31. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue enhanced recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 32. LOSS OF TITLE. In the event title to any Tract of Unitized Land shall fail so as to render the Tract inoperable under this Agreement and the true owner cannot be induced to join this Agreement, such Tract shall be automatically regarded as not committed hereto as of the first day of the calendar month in which the failure of title is determined and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Land Commissioner and/or the Oil and Gas Supervisor of the United States Geological Survey (hereinafter referred to as "Supervisor"), as the case may be, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 33. NONJOINDER AND SUBSEQUENT JOINDER. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to this Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Agreement.

Any oil or gas interest in the Unitized Formation not committed hereto prior to submission of this Agreement to the Land Commissioner for

final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Participation) hereof, at any time up to the Effective Date hereof on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

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

SECTION 34. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing, specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above described Unit Area.

SECTION 35. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party; provided, that if the party is the owner of a Working Interest, he must also execute the Unit Operating Agreement.

SECTION 36. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land;

provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 37. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 38. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all lease storage tanks (excluding separation and treating equipment) within the Unitized Area in order to ascertain the amount of merchantable oil above the pipe line connection in such tanks as of the Effective Date hereof. All such oil which has then been produced in accordance with established allowables shall be and remain the property of the Working Interest Owner entitled thereto, the same as if the unit had not been formed; and the responsible Working Interest Owner shall promptly remove said oil from the Unitized Land. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after Effective Date hereof.

If, as of the Effective Date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of over-production has been sold or otherwise disposed of, such over-production shall be regarded as a part of the Unitized Substances produced after the Effective Date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

SECTION 39. STATUTORY UNITIZATION. If and when Working Interest Owners owning at least seventy-five percent (75%) of the Phase I, Phase II and Phase III Unit Participation and Royalty Owners owning at least seventy-five percent (75%) of the Phase I, Phase II and Phase III Royalty Interest have become parties to this Agreement or have approved this Agreement in

writing and such Working Interest Owners have also become parties to the Unit Operating Agreement, Unit Operator may make application to the Division for statutory unitization of the uncommitted interests pursuant to the Statutory Unitization Act (Chap. 65, Art. 14, N.M.S. 1953 Ann.). If such application is made and statutory unitization is approved by the Division, then effective as of the date of the Division's order approving statutory unitization, this Agreement and/or the Unit Operating Agreement shall automatically be revised and/or amended in accordance with the following:

(1) Section 14 of this Agreement shall be revised by substituting for the entire said section the following:

"SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the Effective Date hereof, all Tracts within the Unit Area shall be entitled to participation in the production of Unitized Substances."

(2) Section 24 of this Agreement shall be revised by substituting for the first three paragraphs of said section the following:

"SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become effective on the first day of the calendar month next following the effective date of the Division's order approving statutory unitization upon the terms and conditions of this Agreement, as amended (if any amendment is necessary) to conform to the Division's order; approval of this Agreement, as so amended, by the Land Commissioner; and the filing by Unit Operator of this Agreement or notice thereof for record in the office of the County Clerk of Lea County, New Mexico. Unit Operator shall not file this Agreement or notice thereof for record, and hence this Agreement shall not become effective, unless within ninety (90) days after the date all other pre-requisites for effectiveness of this Agreement have been satisfied, such filing is approved by Working Interest Owners owning a combined Phase III Unit Participation of at least sixty-five percent (65%) as to all Tracts within the Unit Area.

"Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for record in the office of the County Clerk of Lea County, New Mexico, a certificate to the effect that this Agreement has become effective in accordance with its terms, therein identifying the Division's order approving statutory unitization and stating the Effective Date."

(3) This Agreement and/or the Unit Operating Agreement shall be amended in any and all respects necessary to conform to the Division's order approving statutory unitization.

Any and all amendments of this Agreement and/or the Unit Operating Agreement that are necessary to conform said agreements to the Division's

order approving statutory unitization shall be deemed to be hereby approved in writing by the parties hereto without any necessity for further approval by said parties, except as follows:

(a) If any amendment of this Agreement has the effect of reducing any Royalty Owner's participation in the production of Unitized Substances, such Royalty Owner shall not be deemed to have hereby approved the amended agreement without the necessity of further approval in writing by said Royalty Owner; and

(b) If any amendment of this Agreement and/or the Unit Operating Agreement has the effect of reducing any Working Interest Owner's participation in the production of Unitized Substances or increasing such Working Interest Owner's share of Unit Expense, such Working Interest Owner shall not be deemed to have hereby approved the amended agreements without the necessity of further approval in writing by said Working Interest Owner.

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

SHELL OIL COMPANY

Unit Operator and Working Interest Owner

Date: July 31, 1978

By: Robert L. Avary

Attorney in Fact
ROBERT L. AVARY

P. O. Box 991
Houston, Texas 77001

APPROVED	
Legal	<u>RL</u>
Land	<u>NTB</u>
Expl.	
Prod.	<u>WEB</u>
Fin.	<u>RLK</u>

STATE OF TEXAS)
)
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by ROBERT L. AVARY, Attorney in Fact for SHELL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:

BELINDA ROEBER
Notary Public in and for Harris County, Texas
My Commission Expires July 21, 1979

Belinda Roerber
Notary Public in and for
Harris County, Texas

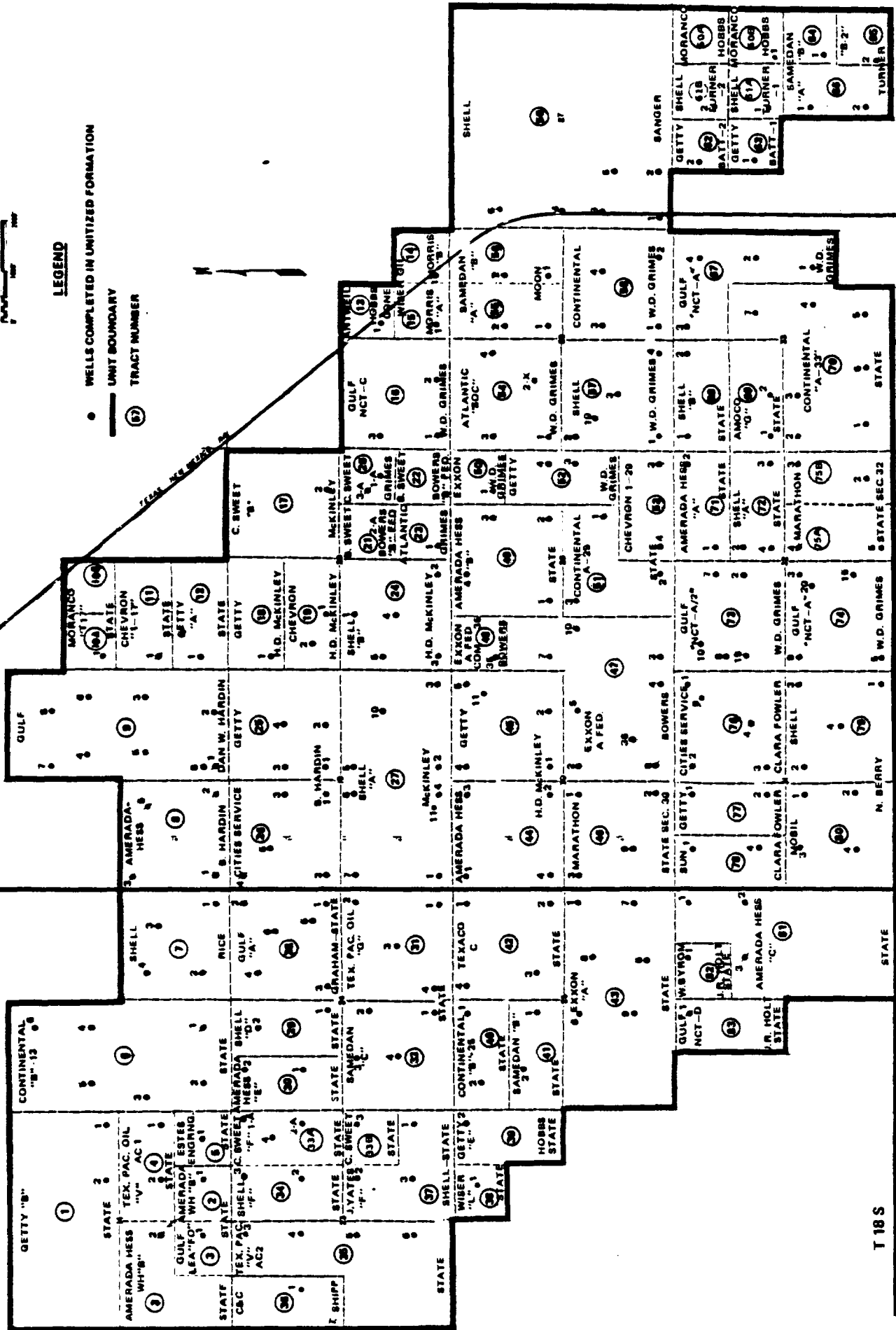
EXHIBIT A NORTH HOBBS (GRAYBURG - SAN ANDRES) UNIT Los County, New Mexico

3200199



LEGEND

- WELLS COMPLETED IN UNITIZED FORMATION
- UNIT BOUNDARY
- ① TRACT NUMBER



T 18 S

T 19 S

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 2

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership & Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
22	T18S-R38E, Sec. 20: SE/4 SE/4 (Bill Sweet-Bowers B. Fed.)	40	LC-032233-B HBP 06/01/60	United States Geological Survey 12.5%	Bill L. Sweet 100%	First National Bank and Ida Elizabeth Oliver, Co-Trustees for the benefit of Jessie Fay Oliver Castlem N. Trust No. 1253 0.68360%	Bill Sweet 100%
						Exxon Corporation 5.46875%	
						Fred F. Kotyza 2.73438%	
						First National Bank and Ida Elizabeth Oliver, Co-Trustees for the benefit of Donald Cowden Oliver - Trust No. 1254 0.68359%	
						Donald M. Oliver 1.36718%	
						10.9375%	
47	T18S-R38E, Sec. 29; SW/4 NW/4 & W/2 SW/4; Sec. 30; SE/4 (Exxon-Bowers A Federal)	280	LC-032233-A HBP 02/01/50	United States Geological Survey 12.5% (Sliding Scale Royalty)	Exxon Corporation 100%	Samuel J. Caudill, Jr. 0.041700%	Exxon Corp. 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 3

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
						John W. Chadwick, In- dividually and as trustee under the wills of Glenn B. Chadwick and Grace W. Chadwick, deceased 0.125%	
						Charles H. Coll 0.208300%	
						James N. Coll 0.208300%	
						Jon F. Coll 0.208400%	
						Lillian Hinkle Coll for the account of Max W. Coll, II 0.208300%	
						William M. Keck, II, Tom Sealy and Katherine Cone Keck as Trustees of the Katherine Cone Keck Trust C under the will of S. E. Cone, deceased 0.083334%	

Cont.
47

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 4

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
Cont. 47						S. E. Cone, Jr. 0.083333%	
						Alva N. Etz and Jean W. Etz 0.218750%	
						George H. Etz, Jr., Trustee of the George H. Etz, Sr., Trust 0.43750%	
						Robert W. Etz 0.218750%	
						F. J. Evans Corporation 0.041700%	
						The Homestake Oil & Gas Company 0.125%	
						The Homestake Royalty Corporation 0.25000%	
						Houston Oil & Minerals Corporation 0.250%	

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

PAGE 5

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
48	T18S-R38E, Sec. 29: NW $\frac{1}{4}$ NW $\frac{1}{4}$ (Exxon-Bowers A Fed. Com. 35)	40	**Communitization Agreement SW-623 Effective 10/21/71; Approved 12/23/71	United States Geological Survey 12.5% (Sliding Scale Royalty)	Exxon Corporation 100%	Samuel J. Caudill, Jr. 0.020850%	Exxon Corporation 100%
	**Sec. 29: S/2NW/4NW/4	20	LC-032233-A 02/01/50			John W. Chadwick, Individually and as trustee under the wills of Glenn B. Chadwick and Grace W. Chadwick, deceased 0.062500%	
	**Sec. 29: N/2NW/4NW/4	20	LC-032233-B 06/01/60			Charles H. Coll 0.104150%	
						Marjorie Cone Kastman 0.083333%	
						Lawson Petroleum Company 0.208300%	
						The First National Bank of Roswell, Trustee of Allie M. Lee Trust 3.1875%	
						Virginia P. Selby 0.2500%	
						Shriners Hospital for Crippled Children - a Colorado Corporation 1.0625%	
						7.5%	

Cont.
47

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

(EXHIBIT B, CONT'D)

Page 6

Tract Description of Land No. (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	<u>Lease of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
Cont. 48					James N. Coll 0.104150%	
					Jon F. Coll 0.104200%	
					Lillian Hinkle Coll for the account of Max W. Coll, II 0.104150%	
					William M. Keck, II, Tom Sealy and Katherine Cone Keck as Trustees of the Katherine Cone Keck Trust C under the will of S. E. Cone, deceased 0.041667%	
					S. E. Cone, Jr. 0.041667%	
					Alva N. Etz and Jean W. Etz 0.109375%	
					George H. Etz, Jr., Trustee of the George H. Etz, Sr., Trust 0.218750%	

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 7

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	<u>Lessee of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
Cont.							
48							
						Robert W. Etz 0.109375%	
						F. J. Evans Corporation 0.020850%	
						The Homestake Oil & Gas Company 0.062500%	
						The Homestake Royalty Corporation 0.12500%	
						Houston Oil & Minerals Corporation 0.12500%	
						Marjorie Cone Kastman 0.041666%	
						Lawson Petroleum Company 0.104150%	
						The First National Bank of Roswell, Trustee of Allie M. Lee Trust 1.593750%	
						Virginia P. Selby 0.12500%	

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 8

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
Cont. 48						Shriners Hospitals for Crippled Children - a Colorado Corporation 0.531250%	
						3.75%	

Total 4 Federal Tracts ----- 400.00 acres or 3.75604% of unit (surface) area

STATE LAND

1	T18S-R37E, Sec. 14: N ₄ (Getty-State B)	320	B-2330-4 HBP 12/21/33	Commissioner of Public Lands - State of New Mexico 12.5%	Getty Oil Company 100%	None	Getty Oil Company 100%
2	T18S-R37E, Sec. 14: N ₂ SW ₄ , SW ₄ SW ₄ , SW ₄ SE ₄ (Amerada Hess-State WHB)	160	A-1469-2 HBP 12/18/28	Commissioner of Public Lands - State of New Mexico 12.5%	Amerada Hess Corporation 100%	None	Amerada Hess Corporation 100%
3	T18S-R37E, Sec. 14: SE ₄ SW ₄ (Gulf-Lea FO State)	40	E-8503 HBP 09/21/54	Commissioner of Public Lands - State of New Mexico 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%
4	T18S-R37E, Sec. 14: N ₂ SE ₄ (Texas Pacific-State V-Act 1)	80	E-5770-2 HBP 11/10/51	Commissioner of Public Lands - State of New Mexico 12.5%	Texas Pacific Coal & Oil Co. 100%	None	Texas Pacific Oil Company, Inc. 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 9

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
5	T18S-R37E, Sec. 14: SE4, SW4 (Estes Engineering Company State)	40	K-5218 HBP 08/17/65	Commissioner of Public Lands - State of New Mexico 12.5%	Yeager & Armstrong 100%	None	Ada A. Anderson 11.71875% W. D. Anderson & Sons 23.43750%
							Ada A. Anderson, Paul Donald Anderson & Payton V. Anderson Executors of the Estate of Warren D. Anderson 11.71875%
							J. M. Armstrong 23.43750%
							Russell G. Estes d/b/a Estes Engineering Co. 6.25%
							W. A. Yeager 23.43750% 100%
6	T18S-R37E, Sec. 13: W4 (Continental-State B-13)	320	B-15354 HBP 12/22/32	Commissioner of Public Lands - State of New Mexico 12.5%	Continental Oil Company 100%	None	Continental Oil Company 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 10

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
10A	T18S-R38E, Sec. 17: SW/4 NW/4 40 (Moranco-State T-17)	40	B-2330-4 HBP 12-21-33	Commissioner of Public Lands - State of New Mexico 12.5%	Getty Oil Company 100%	The First National Bank of Midland Texas, for account of Clifford T. Somers 2.5%	Howell Spear 1.17190%
						J. N. Dunlavey 4.68750%	Ellie Sims Spear 1.17190%
						Tom Schneider 2.5%	
						5.0%	
						First Roswell Co. 9.37500 %	
						Getty Oil Co. 25.00000%	
						George P. Laflin 4.68750%	
						Kenneth D. McPeters 7.03130%	
						Robert Martin Moran 28.12490%	
						Moranco 9.37500%	

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 11

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
108	T18S-R38E, Sec. 17: SE/4 NW/4 40 (Moranco-State T-17)	40	B-2330-4 HBP 12/21/33	Commissioner of Public Lands - State of New Mexico 12.5%	Getty Oil Company 100%	None	Lloyd Whitley 4.68750%
							A. T. Williamson 4.68750% 100%
11	T18S-R38E, Sec. 17: N/2 SW/4 80 (Chevron State 1-17)	80	B-2277-1 HBP 12/7/33	Commissioner of Public Lands - State of New Mexico 12.5%	Chevron U.S.A., Inc. 100%	None	Getty Oil Company 100%
12	T18S-R38E, Sec. 17: S/2 SW/4 80 (Getty (Skelly)-State A)	80	NM-B-1327 HBP 11/16/32	Commissioner of Public Lands - State of New Mexico 12.5%	Getty Oil Company 100%	None	Getty Oil Company 100%
28	T18S-R37E, Sec. 24: NE/4 160 (Gulf-Graham-State A)	160	A-1543-1 HBP 12/29/28	Commissioner of Public Lands - State of New Mexico 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corp. 100%
29	T18S-R37E, Sec. 24: E/2 NW/4 80 (Shell-State D)	80	B-1411-1 HBP 12/03/32	Commissioner of Public Lands - State of New Mexico 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%

Cont.

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 12

(EXHIBIT B, CONT'D)

<u>Tract No.</u>	<u>Description of Land (Operator & Lease Name)</u>	<u>No. Acres</u>	<u>Serial No. & Expiration & Date of Lease</u>	<u>Basic Royalty Ownership and Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
30	T18S-R37E, Sec. 24: W/2 NW/4 80 (Amerada Hess-State E)	80	B-1461-1 HBP 12/14/32	Commissioner of Public Lands - State of New Mexico 12.5%	Amerada Hess Corporation 50% Getty Oil Company 50% 100%	None	Amerada Hess Corporation 50% Getty Oil Company 50% 100%
31	T18S-R37E, Sec. 24: SE/4 160 (Texas Pacific-State G)	160	A-1977-2 HBP 3/11/29	Commissioner of Public Lands - State of New Mexico 12.5%	Texas Pacific Coal & Oil Co. 100%	None	Texas Pacific Oil Company, Inc. 100%
32	T18S-R37E, Sec. 24: SW/4 160 (Samedan-State C)	160	A-1118-4 HBP 09/15/28	Commissioner of Public Lands - State of New Mexico 12.5%	Samedan Oil Corporation 100%	Shell Companies Foundation, Inc. 12.5%	Samedan Oil Corporation 37.8% First National Bank of Casper, Trustee, Tate Trusts 3.75% The First National Bank of Fort Worth, Agent for William S. Spradlin 0.625% The First National Bank of Fort Worth, Trustee for Verda Spradlin, No. 3211 0.625%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 13

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
							C. C. Forbes 1.9%
							Ilanae Forbes 1.85%
							Samuel Roberts Noble Foundation, Inc. 28.75%
							G. D. Morris 1.25%
							Richard L. Noble 15.2%
							Portales Nations' Bank 1.875%
							John Roring 3.75%
							SEA Properties, Ltd 0.75%
							E. C. Sullivan 1.875%
							100%

Cont.
32

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 14

(EXHIBIT B, CONT'D)

<u>Tract No.</u>	<u>Description of Land (Operator & Lease Name)</u>	<u>No. Acres</u>	<u>Serial No. & Expiration Date of Lease</u>	<u>Basic Royalty Ownership and Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
33A	T18S-R37E, Sec. 23: NE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$, (Est. of C. H. Sweet-State F)	80	B-9264-5 HBP 08/11/41	Commissioner of Public Lands - State of New Mexico 12.5%	C. H. Sweet Oil Company 100%	Shell Companies Foundation, Inc. Gas - 12.5% Oil - Fluctuating overriding Royalty Interest per 4/9/51	First National of Lea County, Trustee for Cecil Sweet and Imo Sweet Trust. 100%
33B	T18S-R37E, Sec. 23: NE $\frac{1}{4}$ SE $\frac{1}{4}$ (Est. of C. H. Sweet-State F)	40	B-9264-6 HBP 08/11/41	Commissioner of Public Lands - State of New Mexico 12.5%	C. H. Sweet Oil Company 100%	Shell Companies Foundation, Inc. Gas - 12.5% Oil - Fluctuating overriding Royalty Interest per 1/2/53 Agreement	First National Bank of Lea County, Trustee for Cecil H. Sweet and Imo Sweet Trust. 100%
34	T18S-R37E, Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$ (Shell-State F)	80	B-9264-2 HBP 08/11/41	Commissioner of Public Lands - State of New Mexico 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
35	T18S-R37E, Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ (Texas Pacific-State V-A/C 2)	240	E-5770-2 HBP 11/10/51	Commissioner of Public Lands - State of New Mexico 12.5%	Texas Pacific Coal & Oil Co. 100%	None	Texas Pacific Oil Company, Inc. 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 15

(EXHIBIT B, CONT'D)

<u>Tract No.</u>	<u>Description of Land (Operator & Lease Name)</u>	<u>No. Acres</u>	<u>Serial No. & Expiration Date of Lease</u>	<u>Basic Royalty Ownership and Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
37	T18S-R37E, Sec. 23: W/2 SE/4 & SE/4 SE/4 (John A. Yates-Shell State F)	120	B-9264-10 HBP 08/11/41	Commissioner of Public Lands - State of New Mexico 12.5%	Abo Petroleum Corp. 100%	Shell Companies Foundation, Inc. Gas - 12.5% Oil - Fluctuating overriding Royalty Interest per 10/14/55 Agreement	Abo Petroleum Corporation 52.5% Ward Investment Corporation 10%
38	T18S-R37E, Sec. 26: NW 1/4 (Wiser-State L)	40	K-5278 HBP 09/21/65	Commissioner of Public Lands - State of New Mexico 12.5%	The Wiser Oil Company 100%	None	Yates Petroleum Corporation 25% S. P. Yates 12.5% 100%
39	T18S-R37E, Sec. 26: E 1/4 (Getty (Skelly)-Hobbs E)	80	E-5673 HBP 10/10/51	Commissioner of Public Lands - State of New Mexico 12.5%	Getty Oil Company 100%	None	Getty Oil Company 100%
40	T18S-R37E, Sec. 25: NW 1/4 (Continental-State B25)	80	B-15354 HBP 12/22/32	Commissioner of Public Lands - State of New Mexico 12.5%	Continental Oil Company 100%	None	Continental Oil Company 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 16

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
41	T18S-R37E, Sec. 25: S1/4 (Samedan-State B)	80	B-15354-1 HBP 12/22/32	Commissioner of Public Lands - State of New Mexico 12.5%	Samedan Oil Corporation 100%	Continental Oil Company 6.25%	Samedan Oil Corporation 100%
42	T18S-R37E, Sec. 25: NW/4 (Texaco-N.M. C State)	160	B-159-1 HBP 08/14/31	Commissioner of Public Lands - State of New Mexico 12.5%	Texaco Inc. 100%	None	Texaco Inc. 100%
43	T18S-R37E, Sec. 25: S1/4 (Exxon-N.M. State A)	320	A-1320 HBP 11/22/28	Commissioner of Public Lands - State of New Mexico 12.5%	Exxon Corporation 100%	None	Exxon Corporation 100%
46	T18S-R38E, Sec. 30: SW/4 (Marathon-State Sec. 30)	155.78	A-3071 HBP 01/09/30	Commissioner of Public Lands - State of New Mexico 12.5%	Marathon Oil Company 100%	None	Marathon Oil Co. 100%
49	T18S-R38E, Sec. 29, W/2 NE/4 & E/2 NW/4 (Amerada State B)	160	A-1469-2 HBP 12/18/28	Commissioner of Public Lands - State of New Mexico 12.5%	Amerada Hess Corporation 100%	None	Amerada Hess Corporation 100%
51	T18S-R38E, Sec. 29: E/2 SW/4 & NW/4 SE/4 (Continental-State A 29)	120	B-2657 HBP 09/23/33	Commissioner of Public Lands - State of New Mexico 12.5%	Continental Oil Company 100%	None	Continental Oil Company 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 17

(EXHIBIT B, CONT'D)

<u>Tract No.</u>	<u>Description of Land (Operator & Lease Name)</u>	<u>No. Acres</u>	<u>Serial No. & Expiration Date of Lease</u>	<u>Basic Royalty Ownership and Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
53	T18S-R38E, Sec. 29: S/2 SE/4 80 (Chevron-State 1-29)	80	B-2277-1 HBP 12/7/33	Commissioner of Public Lands - State of New Mexico 12.5%	Chevron U.S.A. Inc. 100%	None	Chevron U.S.A. Inc. 100%
68	T18S-R38E, Sec. 33: N/2 NW/4 80 (Shell-State B)	80	A-1118-5 HBP 09/15/28	Commissioner of Public Lands - State of New Mexico 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
69	T18S-R38E, Sec. 33: S/2 NW/4 80 (Amoco-State G)	80	A-1573-4 HBP 01/03/29	Commissioner of Public Lands - State of New Mexico 12.5%	Amoco Production Company 100%	None	Amoco Production Company 75.43501%
70	T18S-R38E, Sec. 33: SW/4 NE/4, W/2 SE/4 & SW/4 (Continental-State A-33)	280	B-2656 HBP 09/23/33	Commissioner of Public Lands - State of New Mexico 12.5%	Continental Oil Company 100%	None	Landreth Interests 24.56499% 100%
71	T18S-R38E, Sec. 32: N/2 NE/4 80 (Amerada Hess-State A)	80	A-1469-2 HBP 12/18/28	Commissioner of Public Lands - State of New Mexico 12.5%	Amerada Hess Corporation 100%	None	Amerada Hess Corporation 100%
72	T18S-R38E, Sec. 32: S/2 NE/4 80 (Shell-State A)	80	A-1118-5 HBP 09/15/28	Commissioner of Public Lands - State of New Mexico 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
70	T18S-R38E, Sec. 33: SW/4 NE/4, W/2 SE/4 & SW/4 (Continental-State A-33)	280	B-2656 HBP 09/23/33	Commissioner of Public Lands - State of New Mexico 12.5%	Continental Oil Company 100%	None	Continental Oil Co. 100%
71	T18S-R38E, Sec. 32: N/2 NE/4 80 (Amerada Hess-State A)	80	A-1469-2 HBP 12/18/28	Commissioner of Public Lands - State of New Mexico 12.5%	Amerada Hess Corporation 100%	None	Amerada Hess Corporation 100%
72	T18S-R38E, Sec. 32: S/2 NE/4 80 (Shell-State A)	80	A-1118-5 HBP 09/15/28	Commissioner of Public Lands - State of New Mexico 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 18

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
75A	T18S-R38E, Sec. 32: W/2 SE/4 (Marathon-State Sec. 32)	80	A-2747-7 HBP 08/22/29	Commissioner of Public Lands - State of New Mexico 12.5%	Marathon Oil Company 50% Atlantic Richfield 50% 100%	None	Marathon Oil Company 50% Atlantic Richfield Company 50% 100%
75B	T18S-R38E, Sec. 32: E/2 SE/4 (Marathon-State Sec. 32)	80	A-1159-9 HBP 10/01/28	Commissioner of Public Lands - State of New Mexico 12.5%	Marathon Oil Company 100%	None	Marathon Oil Company 50% Atlantic Richfield Co. 50% 100%
81	T18S-R37E, Sec. 36: E/2 NE/4, SW/4 NE/4, SE/4 (Amerada Hess-State C)	280	A-1469-2 HBP 12/18/28	Commissioner of Public Lands - State of New Mexico 12.5%	Amerada Hess Corporation 100%	None	Amerada Hess Corporation 100%
82	T18S-R37E, Sec. 36: NW/4 NE/4 40 (Byrom-J. R. Holt State)	40	B-243-1 HBP 09/10/31	Commissioner of Public Lands - State of New Mexico 12.5%	Gulf Oil Corporation 100%	Gulf Oil Corporation 5.46875%	Gulf Oil Corporation 62.5% Robert G. McPherson 37.5% 100%
83	T18S-R37E, Sec. 36: E/2 NW/4 (Gulf J. R. Holt-NCT D)	80	B-243-1 HBP 09/10/31	Commissioner of Public Lands - State of New Mexico 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%

Total 40 State Tracts ----- 4835.78 acres or 45.40839% of unit (surface) area

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES)
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
14	T18S-R38E, Sec. 21; SE $\frac{1}{4}$ SE $\frac{1}{4}$ (Wiser-Morris B)	40	Fee HBP 05/17/37	Jack Robinson, et al 12.5%	Kenneth Noel Headley 12.5%	None	Kenneth Noel Headley 12.5%
			Fee HBP 05/27/37		Two States Oil Company 37.5%		Two States Oil Company 37.5%
			Fee HBP 05/31/37		The Wiser Oil Company 50%		The Wiser Oil Company 50%
			Fee HBP 06/07/37				100%
			Fee HBP 06/12/37				
			Fee HBP 06/23/37				
			Fee HBP 09/10/37				
			Fee HBP 09/24/37				
			Fee HBP 01/19/38				

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 21

(EXHIBIT B, CONT'D)

<u>Tract No.</u>	<u>Description of Land (Operator & Lease Name)</u>	<u>No. Acres</u>	<u>Serial No. & Expiration & Date of Lease</u>	<u>Basic Royalty Ownership and Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty Owner & Percentage</u>	<u>Working Interest Owner & Percentage</u>
15	T18S-R38E, Sec. 21: SW ¹ / ₄ SE ¹ / ₄ (Wiser-Morris A)	40	Fee HBP 06/28/26	Jack Robinson, et al* 12.5%		None	Mary Daniel Conrad 6.25%
							Herman R. Crile, Sr. Trustee of Herman R. Crile, Sr. 9.37500%
							Kenneth Noel Headley 9.375%
							Peter Hurd 6.25%
							Ruby Wanda Conrad Judson 1.25%
							Kathryn Louise Conrad McCarthy 1.25%
							Nathlyn Ione Conrad Murdoch 1.25%
							Frances I. Conrad Rose 1.25%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 22

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership & Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
Cont. 15							
							Bettye Conrad Treadway 1.25%
							The Wiser Oil Company 50%
							Dr. Henry Yeager, Jr. in care of Trust Oil Department Trust Services, First National Bank in Dallas 4.06746%
							Ruth Anne Yeager 3.02580%
							Ruth Feeler Yeager, Henry Yeager, Jr., & First National Bank in Dallas, Joint Trustee of Ruth Anne Yeager Trust No. 2 1.04167%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 23

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration Date of Lease	Basic Royalty Ownership and Percentage	Leasee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
16	T18S-R38E, Sec. 21: SW/4 (Gulf-W. D. Grimes, NCT C)	160	Fee HBP 04/29/26	Union Oil Company of California, et al* 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%
17	T18S-R38E, Sec. 20: NE/4 (Est. of C. H. Sweet-McKinley B)	160	Fee HBP 06/21/26	W. C. McBride-Silurian Oil Company, et al* 12.5%	C. H. Sweet Oil Company 100%	Sun Oil Company 10.93750%	First National Bank of Lea County, Trustee for the Cecil H. Sweet and Imo Emmetta Sweet Trust 100%
18	T18S-R38E, Sec. 20: N/2 NW/4 (Getty (Skelly)-H. D. McKinley)	80	Fee HBP 06/21/26	W. C. McBride - Silurian Oil Co., et al* 12.5%	Getty Oil Company 100%	None	Getty Oil Company 100%
19	T18S-R38E, Sec. 20: S/2 NW/4 (Chevron-H. D. McKinley)	80	Fee HBP 06/21/26	W. C. McBride - Silurian Oil Company, et al* 12.5%	Chevron U.S.A., Inc. 100%	None	Chevron U.S.A., Inc. 100%

Cont.
15

Mrs. Ruth Peeler
Yeager in care of
Trust Oil Department
Trust Services, First
National Bank in
Dallas
4.36507%
100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 24

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
20	T18S-R38E, Sec. 20: NE/4 SE/4 40 (Est. of C. H. Sweet-Grimes)	40	Fee HBP 3/10/28	Mary Evelyn Maddox, et al* 12.5%	C. H. Sweet Oil Company 100%	Verna Lee Brown 5.46875% Alice Patricia Gray H. Sweet and Imo 0.05127% Emmett D. White 0.05127% 5.57129%	First National Bank of Lea County, Trustee for Cecil H. Sweet and Imo Emmetta Sweet Trust 100%
23	T18S-R38E, Sec. 20: SW/4 SE/4 (Atlantic Richfield-Grimes)	40	Fee HBP 06/23/28	Mrs. Emma Bladsoe, Individually and as Independent Executrix of the Estate of W. H. Bladsoe, et al* 12.5%	Atlantic Oil Producing Co. 100%	None	Atlantic Richfield Company 100%
24	T18S-R38E, Sec. 20: SW/4 (Shell-H. D. McKinley B)	160	Fee HBP 06/21/26	Cities Services Company, et al* 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
25	T18S-R38E, Sec. 19: NE/4 (Getty-Boon Hardin)	160	Fee HBP 3/24/28	Amoco Production Company, et al* 12.5%	Getty Oil Co. (Tidal) 100%	None	Getty Oil Company 100%
26	T18S-R38E, Sec. 19: NW/4 (Cities Service-Boon Hardin)	155.30	Fee HBP 03/24/28	Exxon Corporation, et al* 12.5%	Cities Service Company 100%	None	Cities Service Company 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 25

(EXHIBIT B, CONT'D)

Tract No.	Description of Land No. (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
27	T18S-R38E, Sec. 19: S/2 (Shell-McKinley A)	315.50	Fee HBP 06/21/26	Amoco Production Company, et al* 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
36	T18S-R37E, Sec. 23: W/2 NW/4 (C&C Operating Corp.-Shipp A)	80	Fee HBP 01/26/56 Fee (3) HBP 08/31/59	Estate of Burton E. Shipp, et al* 12.5%	C&C Operating Corp. 100%	Elbert Shipp .25635% Homer Shipp .25635% Estate of Burton Ship 1.70898 Leona Houston .25635 2.47802%	C&C Operating Corp. 100%
44	T18S-R38E, Sec. 30: NW/4 (Amerada-H. D. McKinley)	155.66	Fee HBP 06/21/26	W. C. McBride-Silurian Oil Co., et al* 12.5%	Amerada Hess Corporation 100%	None	Amerada Hess Corporation 100%
45	T18S-R38E, Sec. 30: NE/4 (Getty-H. D. McKinley)	160	Fee HBP 06/21/26	W. C. McBride - Silurian Oil Co., et al* 12.5%	Getty Oil Company 100%	Cities Service Co. 1.17187%	Getty Oil Company 100%
50	T18S-R38E, Sec. 29: NE/4 NE/4 (Exxon-W. D. Grimes)	40	Fee HBP 06/23/28	Exxon Corporation, et al* 12.5%	Exxon Corporation 75% Cities Service Company 25%	Continental Oil Co. Exxon Corporation (net profit interest 25%)	Cities Service Company 25% 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 27

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
56	T18S-R38E, Sec. 28: E4NE4 (Samedan-Moon B)	80	Fee (1) HBP 04/10/35 Fee (2) HBP 10/03/34 Fee (3) HBP 10/05/34 Fee (2) HBP 10/08/34 Fee (1) HBP 11/08/34 Fee (1) HBP 11/13/34 Fee (1) HBP 11/17/34	Samedan Oil Corporation, et al* 12.5%	Samedan Oil Corporation 100%	None	John P. Cusack, Jr. 25% Michael P. Cusack 25% Samedan Oil Corporation 48.5% SEA Properties, Ltd. 1.5% 100%

Page 28

EXHIBIT B

Page 28

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EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 29

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
60B	T18S-R38E, Sec. 34: SE&NE& (Moranco-Hobbs)	40	Fee HBP 12/21/33	Buttram Texhoma Co., et al* 15.48369%	Tidevater Oil Co. 100%	George B. Clegg, III 0.05642%	Del-Lea, Inc. 18.75%
						Charles E. Delaney 0.05643%	M. Ralph Lowe, Inc. 25%
						Thomas R. and B. A. Dugan 0.05642%	Kenneth D. McPeters 4.68%
						Robert Martin Moran 0.16927%	Robert Martin Moran 18.75%
							Moranco 23.44%
							Marshall & Winston, Inc. 12.5%
							Linda B. Parrish and Linda Ann Parrish Richardson-Co-trustees under the will of M. C. Parrish, Jr. 8.2075%
							100%

Cont.
60A

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HORBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 30

(EXHIBIT B, CONT'D)

Tract No.	Description of Land No. (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
61A	T18S-R38E, Sec. 34: SW ¹ / ₄ NE ¹ / ₄ (Shell-Turner, Well 1)	40	Fee HBP 04/07/26	Buttram Texhoma Company, et al* 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
61B	T18S-R38E, Sec. 34: NW ¹ / ₄ NE ¹ / ₄ (Shell-Turner Well 2)	40	Fee HBP 04/07/26	Marshall & Winston, Inc., et al* 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
62	T18S-R38E, Sec. 34: NE ¹ / ₄ NW ¹ / ₄ (Getty (Skelly) B. H. Turner-Batt 2)	40	Fee HBP 04/07/26	Marshall & Winston, Inc. et al 12.5%	Getty Oil Company	None	Getty Oil Company 100%
63	T18S-R38E, Sec. 34: SE ¹ / ₄ NW ¹ / ₄ (Getty (Skelly) B. H. Turner Batt 1)	40	Fee HBP 04/07/26	Atlantic Richfield Company, et al* 12.5%	Getty Oil Company 100%	None	Getty Oil Company 100%

Cont.
60B

Linda B. Parrish and
Linda Ann Parrish
Richardson-Co-trustees
under the will of
M. C. Parrish, Jr.
9.38%
100%

(EXHIBIT B, CONT'D)

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 31

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
64	T18S-R38E, Sec. 34; NE $\frac{1}{4}$ SE $\frac{1}{4}$ (Samedan-Turner B)	40	Fee (35) HBP 08/10/37 Fee (1) HBP 12/31/37 Fee (1) HBP 01/20/38 Fee (2) HBP 02/05/38 Fee (1) HBP 12/12/38 Fee (1) HBP 02/11/44 Fee (1) HBP 08/07/34	Bonnie R. Eitz, and George H. Eitz, Jr., Trustee of George H. Eitz, Sr. Trust, et al* 12.5%	Samedan Oil Corporation 100%	None	Samedan Oil Corpo- ration 62.5% Mary Frances Cusack 18.75% John Patrick Cusack Jr., Trustee under the John Patrick Cusack Testamentary Trust 4.6875% John Patrick Cusack, Jr. 7.03125% Michael F. Cusack 7.03125% <u>100%</u>

(EXHIBIT B, CONT'D)

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 32

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
65	T18S-R38E, Sec. 34: SE $\frac{1}{4}$ SE $\frac{1}{4}$ (Samedan-Turner B-Batt 2)	40	Fee (35) HBP 08/10/37 Fee (1) HBP 12/31/37 Fee (1) HBP 01/20/38 Fee (2) HBP 02/05/38 Fee (1) HBP 12/12/38 Fee (3) HBP 02/11/44 Fee (1) HBP 08/01/44 Fee (1) HBP 08/02/44 Fee (1) HBP 08/07/34	Bonnie R. Ets, and George H. Ets, Jr., Trustees of George H. Ets, Sr. Trust, et al ⁴ 12.5%	Samedan Oil Corporation 62.5% Mary Frances Cusack 18.75% John Patrick Cusack, Jr., Trustee under the John Patrick Cusack Testamentary Trust 4.6875% John Patrick Cusack, Jr. 7.03125% Michael F. Cusack 7.03125% 100%	None	Samedan Oil Corporation 62.5% Mary Frances Cusack 18.75% John Patrick Cusack, Jr., Trustee under the John Patrick Cusack Testamentary Trust 4.6875% John Patrick Cusack, Jr. 7.03125% Michael F. Cusack 7.03125% 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

(EXHIBIT B, CONT'D)

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
66	T18S-R38E, Sec. 34: W ₂ SE ₄ (Samedan-Turner A)	80	Fee (17) HBP 08/07/34 Fee (1) HBP 12/07/34 Fee (1) HBP 12/10/34 Fee (1) HBP 12/12/34	Buttram Texhoma Company, et al* 12.5%	Samedan Oil Corporation 87.891%	None	Samedan Oil Corporation 87.89100%
					Hattie C. Williams 5.859%		Hattie C. Williams 5.859%
					Cities Service Company 6.25%		Cities Service Company 6.25%
					100%		100%
67	T18S-R38E, Sec. 33: N ₂ NE ₄ & SE ₄ NE ₄ & NE ₄ SE ₄ (Gulf-W. D. Grimes, NCT-A)	160	Fee HBP 04/29/26	Union Oil Company of California, et al* 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%
73	T18S-R38E, Sec. 32: NW ₄ (Gulf-W. D. Grimes NCT-A/2)	160	Fee HBP 04/29/26	Union Oil Company of California, et al* 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%
74	T18S-R38E, Sec. 32: SW ₄ (Gulf-Grimes NCT-A Batt 2)	160	Fee HBP 04/29/26	Union Oil Company of California, et al* 12.5%	Gulf Oil Corporation 100%	None	Gulf Oil Corporation 100%

(EXHIBIT B, CONT'D)

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAM ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 34

Tract No.	Description of Land (Operator & Lease Name)	No. Acres	Serial No. & Expiration & Date of Lease	Basic Royalty Ownership and Percentage	Lessee of Record	Overriding Royalty Owner & Percentage	Working Interest Owner & Percentage
76	T18S-R38E, Sec. 31: NE¼ (Cities Service-Clara Fowler)	160	Fee HBP 03/08/28	Marshall & Winston, Inc., et al* 12.5%	Cities Service Company 100%	None	Cities Service Company 100%
77	T18S-R38E, Sec. 31: E½NW¼ (Getty (Skelly)-Clara Fowler)	80	Fee HBP 03/08/28	Atlantic Richfield Company, et al* 12.5%	Getty Oil Company 100%	None	Getty Oil Company 100%
78	T18S-R38E, Sec. 31: W½NW¼ (Sun-Clara Fowler)	75.94	Fee HBP 03/08/28	Atlantic Richfield Company, et al* 12.5%	Sunray Mid-Continent Oil Company	None	Sun Oil Company 100%
79	T18S-R38E, Sec. 31: SE¼ (Shell-N. Berry)	160	Fee HBP 03/07/28	The First of Denver for the account of Munro L. and Patricia D. Lyeth #11033-00-8 and Onez Norman Rooney, et al* 12.5%	Shell Oil Company 100%	None	Shell Oil Company 100%
80	T18S-R38E, Sec. 31: SW¼ (Mobil-Nora Berry)	156.14	Fee HBP 04/07/28	The First of Denver for the account of Munro L. and Patricia D. Lyeth #11033-00-8 and Onez Norman Rooney, et al* 12.5%	Mobil Oil Corporation 100%	None	Mobil Oil Corporation 100%

EXHIBIT B
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Page 35

(EXHIBIT B, CONT'D)							
Tract	Description of Land	No.	Serial No. &	Basic Royalty			
No.	(Operator & Lease Name)	Acres	Expiration &	Ownership and	Percentage	Lessee of Record	Overriding Royalty
			Date of Lease				Owner & Percentage
Total 45 Tracts		-----	5413.75 acres or 50.83557% of unit (surface) area				

RECAPITULATION OF NUMBER OF ACRES

Federal Lands	400.00 acres	3.75604 percent
State Lands	4835.78 acres	45.40839 percent
Fee Lands	5413.75 acres	50.83557 percent
	<u>10,649.53 acres</u>	<u>100.00 percent</u>

* Largest Royalty Interest Owner only is named.
Complete royalty ownership will be furnished upon request.

EXHIBIT C
ATTACHED TO UNIT AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

TRACT PARTICIPATION

Tract No.	Tract Participation					
	Phase I		Phase II		Phase III	
	<u>Oil</u>	<u>Gas</u>	<u>Oil</u>	<u>Gas</u>	<u>Oil</u>	<u>Gas</u>
1	0.04166	0.00929	0.03449	0.00764	0.13978	0.13978
2	0.04372	0.08878	0.03496	0.07047	0.20696	0.20696
3	0.03122	0.03430	0.02643	0.02884	0.08361	0.08361
4	0.11473	0.35014	0.10166	0.30838	0.29162	0.29162
5	0.05364	0.16616	0.03382	0.10370	0.19769	0.19769
6	0.05157	0.04476	0.03087	0.02715	1.35192	1.35192
7	0.33855	0.86416	0.28554	0.74135	2.37454	2.37454
8	0.00000	0.00000	0.00000	0.00000	2.11560	2.11560
9	0.26552	0.85119	0.20781	0.63155	1.29435	1.29435
10A	0.04139	0.02411	0.03640	0.02107	0.03576	0.03576
10B	0.00000	0.00000	0.00000	0.00000	0.00504	0.00504
11	0.00000	0.00000	0.00000	0.00000	0.07277	0.07277
12	0.02525	0.01680	0.02093	0.01383	0.10735	0.10735
13	0.08746	0.42917	0.08048	0.39277	0.03529	0.03529
14	0.17327	0.14273	0.17730	0.01745	0.01819	0.01819
15	0.38534	0.10378	0.40126	0.06477	0.03134	0.03134
16	0.17539	0.20016	0.16097	0.18270	0.17130	0.17130
17	0.02662	0.21697	0.02300	0.18628	0.13047	0.13047
18	0.00853	0.01565	0.00013	0.00140	0.19617	0.19617
19	0.46388	0.84657	0.44274	0.97367	0.39268	0.39268
20	0.00082	0.00000	0.00000	0.00000	0.04338	0.04338
21	0.02651	0.02649	0.02300	0.02283	0.08569	0.08569
22	0.00000	0.00000	0.00000	0.00000	0.09207	0.09207
23	0.06415	0.14318	0.05085	0.11264	0.13035	0.13035
24	2.13208	2.55190	2.18100	2.79399	0.93009	0.93009
25	0.38428	0.49151	0.34282	0.39731	1.37055	1.37055
26	0.73038	1.66052	0.65783	1.95237	2.93591	2.93591
27	4.99981	6.08021	4.72987	6.64223	3.68081	3.68081
28	1.55912	3.04417	1.44073	3.44263	2.98865	2.98865
29	0.71513	0.53634	0.61650	0.37304	1.11779	1.11779
30	0.33636	0.22798	0.32699	0.17396	0.71532	0.71532
31	4.47471	1.84752	4.52936	1.85495	2.18451	2.18451
32	3.19363	0.95292	2.97689	0.68503	1.39212	1.39212
33A	0.14618	0.74487	0.13607	0.68822	0.45033	0.45033
33B	0.09081	0.36334	0.08239	0.32777	0.16981	0.16981
34	0.02065	0.08343	0.00990	0.03948	0.23908	0.23908
35	0.09228	0.10744	0.07279	0.08411	0.34319	0.34319
36	0.01133	0.00022	0.00688	0.00013	0.03147	0.03147
37	0.12986	0.22612	0.10695	0.18492	0.38811	0.38811
38	0.00209	0.00000	0.00000	0.00000	0.08529	0.08529
39	0.03247	0.03270	0.02415	0.02412	0.17221	0.17221
40	0.29448	0.19819	0.32197	0.19398	0.44016	0.44016

EXHIBIT C (CONT'D)

Tract No.	Tract Participation					
	Phase I		Phase II		Phase III	
	Oil	Gas	Oil	Gas	Oil	Gas
41	0.07122	0.10996	0.06099	0.09355	0.26713	0.26713
42	3.15134	1.54441	3.09110	0.98477	1.16515	1.16515
43	0.66554	2.24437	0.49553	1.65710	0.98320	0.98320
44	3.36952	2.34840	3.41061	2.43179	1.86735	1.86735
45	3.64803	5.02853	3.75614	5.47228	2.83435	2.83435
46	1.83355	1.44175	1.86777	1.44663	1.98935	1.98935
47	3.37645	2.81163	3.25911	2.40472	6.10957	6.10957
48	0.59298	0.67176	0.59347	0.77563	0.42645	0.42645
49	1.37425	2.13844	1.32399	2.01128	1.40956	1.40956
50	0.10528	0.20806	0.09598	0.15187	0.23925	0.23925
51	2.01126	3.66274	2.10178	4.19663	2.84880	2.84880
52	0.87710	1.36727	0.86847	1.15993	1.23597	1.23597
53	2.75083	0.69483	2.95624	0.79733	2.50776	2.50776
54	2.07685	1.66517	2.28579	1.41654	1.09210	1.09210
55	2.25105	0.82559	2.43208	0.68204	0.24963	0.24963
56	2.29333	0.86934	2.52115	0.78810	0.10685	0.10685
57	2.91562	1.58446	2.97071	1.46117	3.07756	3.07756
58	4.16481	3.27379	4.73239	3.32535	1.68555	1.68555
59	6.45317	2.42299	6.70337	1.71870	0.33242	0.33242
60A	0.00000	0.00000	0.00000	0.00000	0.00022	0.00022
60B	0.12511	0.20973	0.10695	0.17812	0.00636	0.00636
61A	1.19303	0.63995	1.22347	0.69663	0.09076	0.09076
61B	1.06871	0.35937	1.06806	0.34590	0.01963	0.01963
62	1.15101	0.54376	1.17464	0.58368	0.11411	0.11411
63	1.15287	0.73483	1.17515	0.57763	0.31108	0.31108
64	0.34355	0.18078	0.31251	0.04725	0.01466	0.01466
65	0.37764	0.10272	0.37040	0.05957	0.01661	0.01661
66	2.28031	0.55014	2.47569	0.56246	0.37923	0.37923
67	2.17917	4.86684	2.11608	5.31231	3.40765	3.40765
68	0.96616	1.17272	0.84228	1.04205	2.48452	2.48452
69	1.84129	3.13857	1.80030	3.72411	2.49011	2.49011
70	4.69790	10.71660	4.50257	12.36430	7.98097	7.98097
71	1.47100	2.42416	1.45514	2.76787	2.04430	2.04430
72	0.91041	1.42477	0.83110	1.54778	2.56349	2.56349
73	2.09767	3.87053	1.86731	4.01469	3.47646	3.47646
74	3.40184	2.08463	3.62040	1.60923	3.75733	3.75733
75A	0.64903	2.04432	0.75492	2.40868	2.09583	2.09583
75B	0.95673	0.94199	0.94712	0.84174	2.00533	2.00533
76	2.34959	0.78709	2.36589	0.87467	2.52494	2.52494
77	1.22093	0.44131	1.17282	0.38108	0.70944	0.70944
78	0.22719	0.32052	0.19658	0.18989	0.43429	0.43429
79	2.40938	2.20153	2.30652	1.71149	1.96469	1.96469
80	0.92642	1.33618	0.82805	1.18726	0.67264	0.67264
81	0.14029	0.18401	0.11442	0.14900	0.60098	0.60098
82	0.11572	0.08569	0.10923	0.08047	0.11949	0.11949
83	0.00000	0.00000	0.00000	0.00000	0.04756	0.04756
	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>

EXHIBIT D

APPENDIX

"FEDERAL CONTRACT PROVISIONS"

The following provisions are incorporated in the agreement to which this Appendix is attached and shall be applicable to the parties thereunder if and to the extent such agreement is a subcontract or purchase order under a federal contract and inclusion of such provisions is required under applicable Executive Orders or Government Procurement Regulations:

EQUAL OPPORTUNITY CLAUSE

(Executive Order 11246)

(A) Contractor is aware of and is fully informed of Contractor's responsibilities under Executive Order 11246 and shall file compliance reports as required by Section 203 of Executive Order 11246 and otherwise comply with the requirements of such order.

(B) Contractor shall be bound by and agree to the following provisions as contained in Section 202 of Executive Order 11246, to wit:

"(1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

"(3) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

"(5) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulations, or order of the Secretary of Labor, or as otherwise provided by law.

"(7) The Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States."

(C) Contractor certifies that segregated facilities are not and will not be maintained or provided for Contractor's employees at any of Contractor's establishments; that such employees are not and will not be permitted to perform their services at any location under Contractor's control where segregated facilities are maintained, and, that Contractor is aware of and understands that any breach of the foregoing is a violation of the Equal Opportunity Clause of Executive Order 11246, as included above in paragraph (B). "Segregated facilities" as used herein means any waiting rooms, work areas, rest rooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom or otherwise.

UTILIZATION OF MINORITY BUSINESS ENTERPRISES

(41 CFR 1-1.13)

(A) It is the policy of the government that minority business enterprises shall have the maximum practicable opportunity to participate in the performance of government contracts.

(B) The Contractor agrees to use his best efforts to carry out this policy in the award of his subcontracts to the fullest extent consistent with the efficient performance of this contract. As used in this contract, the term "Minority Business Enterprises" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American-Alaskans, and American-Natives. Contractors may rely on written representations by subcontractors regarding their status as minority business enterprises in lieu of an independent investigation.

MINORITY BUSINESS ENTERPRISES SUBCONTRACTING PROGRAM

(41CFR 1-1.13) (Applicable to contracts which may exceed \$500,000 in value)

(A) The Contractor agrees to establish and conduct a program which will enable minority business enterprises (as defined in the clause entitled "Utilization of Minority Business Enterprises") to be considered fairly as subcontractors and suppliers under this contract. In this connection, the Contractor shall -

(1) Designate a liaison officer who will administer the Contractor's minority business enterprises program.

(2) Provide adequate and timely consideration of the potentialities of known minority business enterprises in all "make-or-buy" decisions.

(3) Assure that known minority business enterprises will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of minority business enterprises.

- (4) Maintain records showing (i) procedures which have been adopted to comply with the policies set forth in this clause, including the establishment of a source list of minority business enterprises, (ii) awards to minority business enterprises on the source list, and (iii) specific efforts to identify and award contracts to minority business enterprises.
- (5) Include the Utilization of Minority Business Enterprises clause in subcontracts which offer substantial minority business enterprises subcontracting opportunities.
- (6) Cooperate with the Contracting Officer in any studies and surveys of the Contractor's minority business enterprises procedures and practices that the Contracting Officer may from time to time conduct.
- (7) Submit periodic reports of subcontracting to known minority business enterprises with respect to the records referred to in subparagraph (4), above, in such form and manner and at such time (not more often than quarterly) as the Contracting Officer may prescribe.
- (B) The Contractor further agrees to insert, in any subcontract hereunder which may exceed \$500,000, provisions which shall conform substantially to the language of this clause, including this paragraph (B), and to notify the Contracting Officer of the names of such subcontractors.

LISTING OF EMPLOYMENT OPENINGS

(41 CFR 50-250)

- (A) The contractor, to provide special emphasis to the employment of qualified disabled veterans and veterans of the Vietnam era, agrees that all suitable employment openings of the contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by this contract and including those occurring at an establishment of the contractor other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall be offered for listing at an appropriate local office of the State employment service system wherein the opening occurs and to provide such reports to such local office regarding employment openings and hires as may be required: Provided, that if the contract is for less than \$10,000 or if it is with a State or local government the reports set forth in paragraphs (C) and (D) of this clause are not required.
- (B) Listing of employment openings with the employment service system pursuant to this clause shall be made at least concurrently with the use of any other recruitment service or effort and shall involve the normal obligations which attach to the placing of a bona fide job offer, including the acceptance of referrals of veterans and non-veterans. The listing of employment openings does not require the hiring of any particular job applicant or from any particular group of job applicants, and nothing herein is intended to relieve the Contractor from any requirements in any Executive Orders or regulations regarding nondiscrimination in employment.
- (C) The reports required by paragraph (A) of this clause shall include, but not be limited to, periodic reports which shall be filed at least quarterly with the appropriate local office or, where the contractor has more than one establishment in a State, with the central office of that State employment service. Such reports shall indicate for each establishment (1) the number of individuals who were hired during the reporting period, (2) the number of those hired who were disabled veterans, and (3) the number who were nondisabled veterans of the Vietnam era. The contractor shall submit a report within 30 days after the end of each reporting period wherein any performance is made on this contract. The contractor shall maintain copies of the reports submitted until the expiration of 1 year after final payment under the contract, during which time they shall be made available, upon request, for examination by any authorized representative of the contracting officer or of the Secretary of Labor.
- (D) Whenever the contractor becomes contractually bound to the listing provisions of this clause, he shall advise the employment service system in each State wherein he has establishments of the name and location of each such establishment in the State. As long as the contractor is contractually bound to these provisions and has so advised the State system there is no need to advise the State system of subsequent contracts. The contractor may advise the State systems when it is no longer bound by this contract clause.
- (E) This clause does not apply to the listing of employment openings which occur and are filled outside of the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.
- (F) This clause does not apply to openings which the contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employee-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of his own organization or employee-union arrangement for that opening.
- (G) As used in this clause:
 - (1) "All suitable employment openings" includes, but is not limited to, openings which occur in the following job categories: Production and nonproduction; plant and office; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings which are compensated on a salary basis of less than \$18,000 per year. This term includes full-time employment, temporary employment of more than 3 days' duration, and part-time employment. It does not include openings which the contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employee-union hiring arrangement. Under the most compelling circumstances an employment opening may not be suitable for listing, including such situations where the needs of the Government cannot reasonably be otherwise supplied, where listing would be contrary to national security, or where the requirement of listing would otherwise not be for the best interest of the Government.
 - (2) "Appropriate office of the State employment service system" means the local office of the Federal-State national system of public employment offices with assigned responsibility for serving the area where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.
 - (3) "Openings which the contractor proposes to fill from within his own organization" means employment openings for which no consideration will be given to persons outside the contractor's organization (including any affiliates, subsidiaries, and the parent companies) and includes any openings which the contractor proposes to fill from regularly established "recall" or "rehire" lists.
 - (4) "Openings which the contractor proposes * * * to fill pursuant to a customary and traditional employee-union hiring arrangement" means employment openings for which no consideration will be given to persons outside of a special hiring arrangement, including openings which the contractor proposes to fill from union halls, which is part of the customary and traditional hiring relationship which exists between the contractor and representatives of his employees.
 - (5) "Disabled veteran" means a person entitled to disability compensation under laws administered by the Veterans' Administration for disability rated at 30 per centum or more, or a person whose discharge or release from active duty was for a disability incurred or aggravated in line of duty.
 - (6) "Veteran of the Vietnam era" means a person (1) who (i) served on active duty for a period of more than 180 days, any part of which occurred after August 5, 1964, and was discharged or released therefrom with other than a dishonorable discharge, or (ii) was discharged or released from active duty for service-connected disability if any part of such duty was performed after August 5, 1964, and (2) who was so discharged or released within the 48 months preceding his application for employment covered under this part.

FEDERAL CONTRACT PROVISIONS

UNIT OPERATING AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

UNIT OPERATING AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Table of Contents

Section		Page
	Preliminary Recitals	1
	ARTICLE 1 CONFIRMATION OF UNIT AGREEMENT	
1.1	Confirmation of Unit Agreement	1
	ARTICLE 2 EXHIBITS	
2.1	Exhibits	1
	2.1.1 Exhibits A, B, C, and D	2
	2.1.2 Exhibit E	2
	2.1.3 Exhibit F	2
	2.1.4 Exhibit G	2
	2.1.5 Exhibit H	2
2.2	Revision of Exhibits	2
2.3	Reference to Exhibits	2
	ARTICLE 3 SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS	
3.1	Over-all Supervision	2
3.2	Specific Authorities and Duties	2
	3.2.1 Method of Operation	2
	3.2.2 Drilling of Wells	2
	3.2.3 Abandonment and Change of Status of Wells	3
	3.2.4 Expenditures	3
	3.2.5 Disposition of Unit Equipment	3
	3.2.6 Appearance Before a Court or Regulatory Agency	3
	3.2.7 Audits	3
	3.2.8 Inventories	3
	3.2.9 Technical Services	4
	3.2.10 Assignments to Committees	4
	3.2.11 Removal of Unit Operator and Selection of Successor	4
	3.2.12 Enlargement of Unit Area	4
	3.2.13 Adjustment and Readjustment of Investments	4
	3.2.14 Termination of Unit Agreement	4
	ARTICLE 4 MANNER OF EXERCISING SUPERVISION	
4.1	Designation of Representatives	4
4.2	Meetings	4

4.3	Voting Procedure	4
4.3.1	Voting Interest	4
4.3.2	Vote Required	5
4.3.3	Vote at Meeting by Nonattending Working Interest Owner	5
4.3.4	Poll Votes	5

ARTICLE 5 INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1	Reservation of Rights	5
5.2	Specific Rights	5
5.2.1	Access to Unit Area	5
5.2.2	Reports	5

ARTICLE 6 UNIT OPERATOR

6.1	Initial Unit Operator	6
6.2	Resignation or Removal and Selection of Successor	6

ARTICLE 7 AUTHORITIES AND DUTIES OF UNIT OPERATOR

7.1	Exclusive Right to Operate Unit	6
7.2	Workmanlike Conduct	6
7.3	Liens and Encumbrances	6
7.4	Employees	6
7.5	Records	6
7.6	Reports to Working Interest Owners	6
7.7	Reports to Governmental Authorities	6
7.8	Engineering and Geological Information	6
7.9	Expenditures	7
7.10	Wells Drilled by Unit Operator	7
7.11	Border Agreements	7

ARTICLE 8 TAXES

8.1	Ad Valorem Taxes	7
8.2	Other Taxes	7

ARTICLE 9 INSURANCE

9.1	Insurance	7
9.1.1	Workmen's Compensation Law	7
9.1.2	Employers' Liability Insurance	8
9.1.3	Other Insurance	8

ARTICLE 10 ADJUSTMENT OF INVESTMENTS

10.1	Personal Property Taken Over	8
10.1.1	Wells and Casing	8

	10.1.2 Well and Lease Equipment	8
	10.1.3 Condition of Wells	8
	10.1.4 Records	8
10.2	Inventory and Evaluation of Personal Property	8
10.3	Investment Adjustment	9
	10.3.1 Initial Adjustment of Investments	9
	10.3.2 Readjustments of Investments	9
10.4	General Facilities and Abandoned Installations	10
10.5	Exchange of Interest in and Ownership of Personal Property and Facilities	10

ARTICLE 11 UNIT EXPENSE

11.1	Basis of Charge to Working Interest Owners	10
	11.1.1 Operating Expense	11
	11.1.2 Investment Cost	11
11.2	Budgets	11
11.3	Advance Billings	11
11.4	Commingleing of Funds	11
11.5	Lien and Security Interest of Unit Operator	11
11.6	Unpaid Unit Expense	12
11.7	Carved-out Interest	12
11.8	Uncommitted Royalty	13
11.9	Rentals.	13

ARTICLE 12 NON-UNITIZED FORMATIONS

12.1	Right to Operate	13
12.2	Multiple Completions	13

ARTICLE 13 TITLES

13.1	Warranty and Indemnity	14
13.2	Failure Because of Unit Operations	14

ARTICLE 14 LIABILITY, CLAIMS, AND SUITS

14.1	Individual Liability	14
14.2	Settlements	14

ARTICLE 15 INTERNAL REVENUE PROVISION

15.1	Internal Revenue Provision	15
------	--------------------------------------	----

ARTICLE 16 NOTICES

16.1	Notices	15
------	-------------------	----

ARTICLE 17
WITHDRAWAL OF WORKING INTEREST OWNER

17.1	Withdrawal	15
17.2	Limitation on Withdrawals	16

ARTICLE 18
ABANDONMENT OF WELLS

18.1	Rights of Former Owners	16
18.2	Plugging	17

ARTICLE 19
EFFECTIVE DATE AND TERM

19.1	Term	17
------	----------------	----

ARTICLE 20
ABANDONMENT OF OPERATIONS

20.1	Termination	17
20.1.1	Oil and Gas Rights	17
20.1.2	Right to Operate	17
20.1.3	Salvaging Wells	17
20.1.4	Cost of Abandonment	18
20.1.5	Distribution of Assets	18

ARTICLE 21
EXECUTION

21.1	Original, Counterpart, or Other Instrument	18
------	--	----

ARTICLE 22
SUCCESSORS AND ASSIGNS

22.1	Successors and Assigns	18
------	----------------------------------	----

UNIT OPERATING AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of July, 1978, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an agreement entitled "Unit Agreement, North Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico", herein referred to as "Unit Agreement", which among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for the development and operation of the Unit Area as therein defined;

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

ARTICLE 1
CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of this agreement. The definitions in the Unit Agreement are adopted for all purposes of this agreement. If there is any conflict between the Unit Agreement and this agreement, the Unit Agreement shall govern.

1.2 Additional Definitions. For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Investment Participation" shall mean the sum of .58 Phase II Unit Participation and .42 Phase III Unit Participation.

(b) "Investment Readjustment Date" shall mean the date of termination of Phase II or January 1, 1991, whichever is the earlier date."

ARTICLE 2
EXHIBITS

2.1 Exhibits. The following exhibits are incorporated herein by reference:

2.1.1 Exhibits A, B, C and D of the Unit Agreement.

2.1.2 Exhibit E, attached hereto, is a schedule showing the Tract Participation, the Unit Participation, and the Investment Participation of each Working Interest Owner. Exhibit E, or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of Working Interest Owners for purposes of this agreement until shown to be in error or revised as herein authorized.

2.1.3 Exhibit F, attached hereto, is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this agreement and Exhibit F, this agreement shall govern.

2.1.4 Exhibit G, attached hereto, contains insurance provisions applicable to Unit Operations.

2.1.5 Exhibit H, attached hereto, is a form of Indemnity Agreement required under the provisions of Section 9.1.3 of the Unit Agreement.

2.2 Revision of Exhibits. Whenever Exhibits A, B or C are revised, Exhibit E shall be revised accordingly and be effective as of the same date. Unit Operator shall also revise Exhibit E from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

2.3 Reference to Exhibits. When reference is made herein to an exhibit, it is to the exhibit as originally attached, or, if revised, to the last revision.

ARTICLE 3

SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authorities and Duties. The matters with respect to which the Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

3.2.1 Method of Operation. The method of operation, including any type of pressure maintenance, enhanced recovery, or other recovery program to be employed.

3.2.2 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Abandonment and Change of Status of Wells. The abandonment of any well or change of status of any well by converting such well for use as an injector or for any purpose other than production of Unitized Substances.

3.2.4. Expenditures. The making of any single expenditure in excess of twenty-five thousand dollars (\$25,000); provided that, approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the well, including necessary flow lines, separators, and lease tankage.

3.2.5 Disposition of Unit Equipment. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the list price of new equipment similar thereto is seven thousand five hundred dollars (\$7,500) or more.

3.2.6. Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided, however, that Unit Operator shall act as such representative in the absence of the designation of a different representative by Working Interest Owners, and provided, further, that such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; however, the audits shall

(a) not be conducted more than once each year except upon the resignation or removal of Unit Operator, and

(b) be made upon approval of the owner or owners of a majority of Working Interest other than that of Unit Operator, at the expense of all Working Interest Owners other than Unit Operator, or

(c) be made at the expense of those Working Interest Owners requesting such audit, if owners of less than a majority of Working Interest, other than that of Unit Operator, request such an audit, and

(d) be made upon not less than thirty (30) days' written notice to Unit Operator.

3.2.8 Inventories. The taking of periodic inventories under the terms of Exhibit F.

3.2.9 Technical Services. The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit F.

3.2.10 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.

3.2.11 The removal of Unit Operator and the selection of a successor.

3.2.12 The enlargement of the Unit Area.

3.2.13 The adjustment and readjustment of investments.

3.2.14 The termination of the Unit Agreement.

ARTICLE 4 MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of two (2) or more Working Interest Owners having a total voting interest of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting; provided, however, that no expenditure or commitment for expenditure may be authorized unless it is included in the agenda attached to the notice of the meeting. The representative of Unit Operator shall be chairman of each meeting. The parties hereto may reduce the notice requirement to not less than three (3) days and may waive the requirement for an attached agenda by consent of Working Interest Owners having a combined voting interest not less than that required for an affirmative vote under the provision of Section 4.3.2.

4.3 Voting Procedure. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Phase II Unit Participation during Phase I and Phase II and equal to its Phase III Unit Participation during Phase III, depending upon which phase is in effect at the time the vote is taken.

4.3.2 Vote Required. Unless otherwise provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters by the affirmative vote of Working Interest Owners having a combined voting interest of at least sixty-five percent (65%); however, should any one Working Interest Owner have more than thirty-five percent (35%) voting interest, its negative vote or failure to vote shall not defeat a motion, and such motion shall pass if approved by Working Interest Owners having a majority voting interest, unless one or more Working Interest Owners having a combined voting interest of at least five percent (5%) likewise vote against the motion or fail to vote.

4.3.3 Vote at Meeting by Nonattending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote by letter or telegram addressed to the representative of the Unit Operator if its vote is received prior to the vote on the item.

4.3.4 Poll Votes. Working Interest Owners may vote on and decide, by letter or telegram, any matter submitted in writing to Working Interest Owners. If no meeting is requested, as provided in Section 4.2, within seven (7) days after a written proposal is sent to Working Interest Owners, the vote taken by letter or telegram shall become final. Unit Operator will give prompt notice of the results of such voting to all Working Interest Owners.

ARTICLE 5 INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this agreement and the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requires the information.

ARTICLE 6
UNIT OPERATOR

6.1 Unit Operator. Shell Oil Company is hereby designated as the Unit Operator.

6.2 Resignation or Removal and Selection of Successor. The resignation or removal of Unit Operator and the selection of a successor shall be governed by the provisions of the Unit Agreement.

ARTICLE 7
AUTHORITIES AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands, leases and Unit Equipment in the Unit Area free from all liens and encumbrances occasioned by Unit Operations, except the lien and security interest of Unit Operator granted hereunder.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts, and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish to Working Interest Owners quarterly reports of Unit Operations or reports at such less-frequent intervals as may be approved by Working Interest Owners.

7.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operator shall furnish to a Working Interest Owner, upon written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of twenty-five thousand dollars (\$25,000) without prior approval of Working Interest Owners; provided that any capital expenditure in excess of five thousand dollars (\$5,000) will be described in an informational authority for expenditure furnished to Working Interest Owners, except individual Working Interest Owners declining to receive such information. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be on a competitive bid basis. Unit Operator may employ its own tools and equipment under terms and conditions approved by Working Interest Owners.

7.11 Border Agreements. Unit Operator may, after approval by Working Interest Owners, enter into border agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 8 TAXES

8.1 Ad Valorem Taxes. Beginning with the first calendar year commencing after the Effective Date hereof, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of a one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes paid resulting therefrom.

8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

ARTICLE 9 INSURANCE

9.1 Insurance. Unit Operator, with respect to Unit Operations, shall:

9.1.1 Comply with the Workmen's Compensation Law of the State of New Mexico.

9.1.2 Provide employers' liability insurance with a limit of \$100,000.

9.1.3. Provide other insurance as set forth in Exhibit G.

ARTICLE 10 ADJUSTMENT OF INVESTMENTS

10.1 Personal Property Taken Over. Upon the Effective Date hereof, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 Wells and Casing. All wells completed in the Unitized Formation, together with all casing therein.

10.1.2 Well and Lease Equipment. The tubing in each such well, the wellhead connections thereon, and all other well, lease and operating equipment used in the operation of such wells which Working Interest Owners determine is necessary or desirable for conducting Unit Operations. Working Interest Owners shall make such determination as soon as practicable after the Effective Date hereof, and all of such property that is determined to be surplus shall be returned as promptly as possible to the Working Interest Owners who delivered same to Unit Operator. Property determined by Working Interest Owners to be surplus shall not be considered to have been taken over under this agreement.

10.1.3 Condition of Wells. All wells, including the casing therein, shall be delivered to Unit Operator in reasonably good physical condition capable of being used for Unit Operations. If within one hundred and eighty (180) days after the Effective Date hereof (a) any such well is determined by the Working Interest Owners not to have been in reasonably good physical condition on said Effective Date, or (b) any casing failure or leak is discovered by Unit Operator in any such well, whether such casing failure or leak developed before or after the Effective Date hereof, the Working Interest Owner who contributed such well shall be liable to the other Working Interest Owners for liquidated damages in an amount, measured by the cost to Working Interest Owners of repairing such well or drilling a replacement well, not to exceed fifty thousand dollars (\$50,000), provided that any amount in excess of fifty thousand dollars (\$50,000) shall be treated as any other item of Unit Expense and charged to the joint account.

10.1.4 Records. A copy of all production and well records that pertain to such wells.

10.2 Inventory and Evaluation of Personal Property. Working Interest Owners shall at Unit Expense inventory and evaluate the personal property taken over under Section 10.1.2, except flowlines, and shall inventory the

casing taken over under Section 10.1.1, but casing shall be given no value. Such inventories shall include and be limited to those items of equipment indicated to be controllable in the most recent edition of the "Materials Classification Manual" prepared by the Council of Petroleum Accountants Societies of North America, except that, upon determination of Working Interest Owners, items considered noncontrollable may be included in the inventory in order to insure a more equitable adjustment of investment. All noncontrollable items of well and lease equipment installed within the Unit Area that are required in Unit Operations, although excluded from the inventories, shall nevertheless be taken over by the Unit Operator. Immediately following completion of such inventory, the material and equipment taken over under Section 10.1.2 shall be priced at a realistic value as determined by the Working Interest Owners, which pricing shall be performed under the supervision of, by the personnel of, and in the offices of the Unit Operator, with other Working Interest Owners furnishing such additional pricing help as may be available and necessary.

10.3 Investment Adjustment. Upon approval by Working Interest Owners of the inventory and evaluation, investments shall be adjusted as follows:

10.3.1 Initial Adjustment of Investments. Each Working Interest Owner shall be credited with the value, as determined in accordance with Section 10.2 above, of its interest in all personal property taken over by Unit Operator under Section 10.1.2 and charged with an amount equal to that obtained by multiplying the total value of all such personal property taken over by Unit Operator under Section 10.1.2 by such Working Interest Owner's Investment Participation, as shown on Exhibit E. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.3.2 Readjustments of Investments. Effective as of the Investment Readjustment Date, the investment account of the Working Interest Owners hereunder shall be readjusted on the basis of their respective Phase III Unit Participations, as shown on Exhibit E. For the purposes of such readjustment, each Working Interest Owner shall be (1) credited for its interest in the adjusted value of all personal property and facilities taken over or otherwise acquired by the Unit Operator pursuant to this agreement prior to the Investment Readjustment Date, and (2) charged with an amount equal to that obtained by multiplying the same adjusted value of personal property and facilities by such Working Interest Owner's Phase III Unit Participation. The adjusted value of all personal property and facilities for the purposes of this Section 10.3.2 shall be determined as follows:

(a) Value personal property and facilities initially taken over by Unit Operator on the same basis as that used when such personal property and facilities were taken over.

(b) Value all other investment items (controllable and noncontrollable materials and construction costs) acquired prior to the Investment Readjustment Date, including well casing subsequently purchased and installed, injection well conversion costs, and tank battery consolidation costs, on the basis of cost to the joint account.

(c) Add (a) and (b) together and deduct the value of all items of investment retired prior to the Investment Readjustment Date on the same basis that such items were originally charged.

Each Working Interest Owner shall be charged or credited with the net cash amount necessary to effect such readjustment of the investment account, and such charges and credits shall be settled in the same manner as the charges and credits referred to in Section 10.3.1.

10.4 General Facilities and Abandoned Installations. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be by negotiation by the owners thereof and Unit Operator, subject to the approval of Working Interest Owners. There shall be no adjustment for lease roads or appurtenances thereto.

10.5 Exchange of Interest in and Ownership of Personal Property and Facilities. Each Working Interest Owner hereby exchanges, and agrees to exchange, its interest in all of the personal property and facilities described in Section 10.1.2 above for its proportionate interest, as shown for Investment Participation on Exhibit E during the time prior to the Investment Readjustment Date and as shown for Phase III Unit Participation on Exhibit E from and after the Investment Readjustment Date in all such personal property and facilities described in Section 10.1.2. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement.

ARTICLE 11 UNIT EXPENSE

11.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expense. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense on the basis provided in Sections 11.1.1 and 11.1.2 below. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit F.

11.1.1. Operating Expense. Operating expense shall be shared and borne by Working Interest Owners in proportion to Phase I, Phase II or Phase III Unit Participation, whichever phase is in effect at the time such expense was incurred.

11.1.2. Investment Cost. The cost of investment items (as described in Section 10.3.2 (b) above) incurred prior to the Investment Readjustment Date shall be shared and borne by Working Interest Owners in proportion to Investment Participation. The cost of such investment items incurred after the Investment Readjustment Date shall be shared and borne by Working Interest Owners in proportion to Phase III Unit Participation.

11.2 Budgets. Before or as soon as practical after the Effective Date hereof, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year, and, on or before the first day of each August thereafter, shall prepare such a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall promptly be furnished to each Working Interest Owner.

11.3 Advance Billings. Unit Operator shall have the right, without prejudice to other rights or remedies, to require Working Interest Owners to advance their respective shares of estimated Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days thereafter, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

11.4 Commingling of Funds. Funds received by Unit Operator under this agreement need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.5 Liens and Security Interest of Unit Operator. Each Working Interest Owner grants to Unit Operator and Unit Operator shall have as to each Working Interest Owner a lien upon its Oil and Gas Rights in each Tract, and a security interest in its share of Unitized Substances when extracted, and its interest in all Unit Equipment, to secure payment of its share of Unit Expense, together with interest thereon at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by applicable usury laws, whichever is the lesser; provided, however, that notwithstanding anything in this agreement to the contrary, said lien shall not be enforceable by foreclosure and sale of the Oil and Gas Rights of any Working Interest Owner which is not a signatory party to this agreement.

To the extent that Unit Operator has a security interest under the Uniform Commercial Code of the State of New Mexico, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default. Unit Operator hereby grants to the other Working Interest Owners a similar lien upon all of Unit Operator's right, title and interest as a Working Interest Owner hereunder as security for payment of any and all amounts that may become due and owing hereunder by Unit Operator to any of such other Working Interest Owners.

11.6 Unpaid Unit Expense. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, each Working Interest Owner which is a signatory party to this agreement shall, upon request by Unit Operator, pay its proportionate part of the unpaid share of Unit Expense of the non-paying Working Interest Owner. Working Interest Owners that pay the share of Unit Expense of a non-paying Working Interest Owner shall be reimbursed by the Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collected from or otherwise received for the account of the non-paying Working Interest Owner. Each Working Interest Owner so paying a non-paying Working Interest Owner's share of Unit Expense shall be subrogated to the lien and other rights herein granted Unit Operator, and each such Working Interest Owner, in proportion to the amounts so paid and not reimbursed, shall have and be entitled to exercise the voting interest of the non-paying Working Interest Owner.

11.7 Carved-out Interest. If any Working Interest Owner shall, after becoming bound by this agreement, create an overriding royalty, production payment, net proceeds interest, carried interest, or any other interest out of its Working Interest, such carved-out interest shall be subject to the terms and provisions of this agreement, specifically including, but without limitation, Section 11.5 hereof entitled "Lien and Security Interest of Unit Operator". If the Working Interest Owner creating such carved-out interest (a) fails to pay any Unit Expense chargeable to such Working Interest Owner under this agreement, and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (b) withdraws from this agreement under the terms and provisions of Article 17 hereof, the carved-out interest

shall be chargeable with a pro rata portion of all Unit Expense incurred hereunder, the same as though such carved-out interest were a Working Interest, and Unit Operator shall have the right to enforce against such carved-out interest the lien and all other rights granted in Section 11.5 for the purpose of collecting the Unit Expense chargeable to the carved-out interest.

11.8 Uncommitted Royalty. Should an owner of a Royalty Interest in any Tract fail to become a party to the Unit Agreement, and, as a result thereof, the actual Royalty Interest payments with respect to such Tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners, in proportion to their respective Unit Participations at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. Such adjustments shall be made by charges and credits to the joint account.

11.9 Rentals. The Working Interest Owners in each Tract shall pay and bear all rentals, minimum royalty, advance rentals or delay rentals due under the lease thereon and shall concurrently submit to the Unit Operator evidence of payment.

ARTICLE 12 NONUNITIZED FORMATIONS

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals, from a formation underlying the Unit Area other than the Unitized Formation, shall have the right to do so notwithstanding this agreement or the Unit Agreement. In exercising the right, however, the Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Working Interest Owners so that production of Unitized Substances will not be adversely affected.

12.2 Multiple Completions. No well now or hereafter completed in the Unitized Formation shall ever be completed as a multiple completion with the Unitized Formation and any other formation unless such multiple completion and the subsequent handling of the multiple completion is approved by Working Interest Owners in accordance with the voting procedure set out in Section 4.3.2 of this agreement.

ARTICLE 13
TITLES

13.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth opposite its name in Exhibit B, and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising because of Unit Operations; however, such indemnity and any liability for breach of warranty shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this agreement is concerned, as of 7:00 a.m. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of a title failure.

13.2 Failure Because of Unit Operations. The failure of title to any Working Interest in any Tract because of Unit Operations, including non-production from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participation of the other Working Interest Owners at the time of the title failure.

ARTICLE 14
LIABILITY, CLAIMS, AND SUITS

14.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed seven thousand five hundred dollars (\$7,500.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above specified amount, Working Interest Owners shall assume and take over the further handling of the claim or suit unless such authority is expressly delegated to Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

ARTICLE 15
INTERNAL REVENUE PROVISION

15.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if for Federal income tax purposes this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated hereunder. Each party hereto agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Unit Area is located, or any future income tax law of the United States, contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each of the parties agree to make such election as may be permitted or required by such laws. In making this election, each of the parties states that the income derived by such party from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

ARTICLE 16
NOTICES

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

ARTICLE 17
WITHDRAWAL OF WORKING INTEREST OWNER

17.1 Withdrawal. A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title either express or implied, to the Working Interest Owners who do not desire to withdraw all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer, and further provided that each of the non-transferring Working Interest Owners shall have the option to acquire a transferred interest and shall indicate such election by notifying the Unit Operator in writing within thirty (30) days of notice of withdrawal. The delivery of the transfer shall be made to Unit Operator for the transferees. The transferred interest shall be owned by the transferees in proportion to their respective Unit Participations. The

transferees, in proportion to the respective interests so acquired, shall pay the transferor for its interest in Unit Equipment, the salvage value thereof less its share of the estimated cost of salvaging same and of plugging and abandoning all wells then being used or held for Unit Operations, as determined by Working Interest Owners. In the event such withdrawing owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing owner, as a condition precedent to withdrawal, shall pay the Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value as determined by Working Interest Owners, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after the rendering of such final statement by the Unit Operator, withdrawing owner shall be relieved from all further obligations and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

17.2 Limitation on Withdrawal. Notwithstanding anything set forth in Section 17.1, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-eighth (1/8) lessor's royalty, unless other Working Interest Owners willing to accept the assignment agree to accept the Working Interest subject to such burdens.

ARTICLE 18 ABANDONMENT OF WELLS

18.1 Rights of Former Owners. If Working Interest Owners decide to abandon permanently any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within thirty (30) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount estimated by Working Interest Owners to be the net salvage value, as determined by Working Interest Owners, of the casing and equipment in and on the well up to and including the wellhead equipment, except the casing therein if contributed by such Working Interest Owners under Section 10.1.1. The Working Interest Owners of the Tract, by taking

over the well, agree to seal off effectively and protect the Unitized Formation, and upon abandonment to plug the well in compliance with applicable laws and regulations.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall at Unit Expense plug and abandon the well in compliance with applicable laws and regulations.

ARTICLE 19 EFFECTIVE DATE AND TERM

19.1 Effective Date. This agreement shall become effective when the Unit Agreement becomes effective.

19.2 Term. This agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 20, (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners, and (c) there has been a final accounting.

ARTICLE 20 ABANDONMENT OF OPERATIONS

20.1 Termination. Upon termination of the Unit Agreement, the following will occur:

20.1.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate Tract shall no longer be affected by this agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

20.1.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the amount estimated by Working Interest Owners to be the net salvage value, as determined by Working Interest Owners, of the casing and equipment up to and including the wellhead equipment in and on the wells taken over, except the casing therein if contributed by such Working Interest Owners under Section 10.1.1, and by agreeing to plug properly each well at such time as it is abandoned.

20.1.3 Salvaging Wells: Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working

Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

20.1.4 Cost of Abandonment. The cost of abandonment of Unit Operations shall be Unit Expense.

20.1.5 Distribution of Assets. Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in the same proportion as then applicable to the sharing of investment costs.

ARTICLE 21 EXECUTION

21.1 Original, Counterpart, or Other Instrument. An owner of a Working Interest may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

ARTICLE 22 SUCCESSORS AND ASSIGNS

22.1 Successors and Assigns. This agreement shall extend to, be binding upon, and inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

SHELL OIL COMPANY
Unit Operator and Working Interest Owner

Date: July 31, 1978

By: Robert L. Avary

Attorney in Fact

ROBERT L. AVARY

Address: P. O. Box 991
Houston, Texas 77001

APPROVED	
Legal	<u>QAL</u>
Land	<u>NTB</u>
Expl.	
Prod.	<u>NTB</u>
Fin.	<u>QAL</u>

STATE OF TEXAS)
)
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st
day of July, 1978, by ROBERT L. AVARY,
Attorney in Fact for SHELL OIL COMPANY, a Delaware corporation, on
behalf of said corporation.

My Commission expires:

BELINDA ROEBER
Notary Public in and for Harris County, Texas
My Commission Expires July 21, 1979

Belinda Roebert
Notary Public in and for
Harris County, Texas

EXHIBIT E
ATTACHED TO UNIT OPERATING AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

UNIT PARTICIPATION AND INVESTMENT PARTICIPATION

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
1	Getty Oil Company	100.00000	0.04166	0.03449	0.13978	0.07871
2	Amerada Hess Corporation	100.00000	0.04372	0.03496	0.20696	0.10720
3	Gulf Oil Corporation	100.00000	0.03122	0.02643	0.08361	0.05045
4	Texas Pacific Oil Co., Inc.	100.00000	0.11473	0.10166	0.29162	0.18144
5	Ada A. Anderson	11.71875	0.00629	0.00396	0.02317	0.01203
	W. D. Anderson & Sons	23.43750	0.01257	0.00793	0.04633	0.02405
	Ada A. Anderson, Paul Donald Anderson & Payton V. Anderson, Executors of the Estate of					
	Warren D. Anderson	11.71875	0.00629	0.00396	0.02317	0.01203
	J. M. Armstrong	23.43750	0.01257	0.00793	0.04633	0.02406
	Russell G. Estes d/b/a Estes Engineering Co.	6.25000	0.00335	0.00211	0.01236	0.00641
	W. A. Yeager	23.43750	0.01257	0.00793	0.04633	0.02406
		100.00000	0.05364	0.03382	0.19769	0.10264
6	Continental Oil Company	100.00000	0.05157	0.03087	1.35192	0.58571
7	Shell Oil Company	100.00000	0.33855	0.28554	2.37454	1.16292
8	Amerada Hess Corporation	100.00000	0.00000	0.00000	2.11560	0.88855

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
9	Gulf Oil Corporation	100.00000	0.26552	0.20781	1.29435	0.66416
10A	Howell Spear	1.17190	0.00049	0.00042	0.00042	0.00043
	Ellie Sims Spear	1.17190	0.00049	0.00042	0.00042	0.00043
	J. N. Dunlavy	4.68750	0.00194	0.00171	0.00168	0.00169
	First Roswell Company	9.37500	0.00388	0.00341	0.00335	0.00339
	Getty Oil Company	25.00000	0.01034	0.00910	0.00894	0.00903
	George P. Laflin	4.68750	0.00194	0.00171	0.00168	0.00169
	Kenneth D. McPeters	7.03130	0.00291	0.00256	0.00251	0.00254
	Robert Martin Moran	28.12490	0.01164	0.01024	0.01005	0.01016
	Moranco	9.37500	0.00388	0.00341	0.00335	0.00339
	Lloyd Whitley	4.68750	0.00194	0.00171	0.00168	0.00169
10B	A. T. Williamson	4.68750	0.00194	0.00171	0.00168	0.00169
		100.00000	0.04139	0.03640	0.03576	0.03613
	Getty Oil Company	100.00000	0.00000	0.00000	0.00504	0.00212
	Chevron U.S.A., Inc.	100.00000	0.00000	0.00000	0.07277	0.03056
	Getty Oil Company	100.00000	0.02525	0.02093	0.10735	0.05723
	Del-Lea, Inc.	100.00000	0.08746	0.08048	0.03529	0.06150
	Kenneth Noel Headley	12.50000	0.02166	0.02216	0.00227	0.01381
	Two States Oil Company	37.50000	0.06498	0.06649	0.00682	0.04143
	The Wiser Oil Company	50.00000	0.08663	0.08865	0.00910	0.05523
		100.00000	0.17327	0.17730	0.01819	0.11047
15	Mary Daniel Conrad	6.25000	0.02408	0.02508	0.00196	0.01537
	Herman R. Crile, Sr., Trustee of Herman R. Crile, Sr.	9.37500	0.03613	0.03762	0.00294	0.02305
	Kenneth Noel Headley	9.37500	0.03612	0.03761	0.00294	0.02306
	Peter Hurd	6.25000	0.02408	0.02508	0.00196	0.01537
	Ruby Wanda Conrad Judson	1.25000	0.00482	0.00502	0.00039	0.00307
	Kathryn Louise Conrad McCarthy	1.25000	0.00482	0.00502	0.00039	0.00307
	Nathlyn Ione Conrad Murdoch	1.25000	0.00482	0.00502	0.00039	0.00307

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
15	Frances I. Conrad Rose Bettye Conrad Treadaway The Wiser Oil Company Dr. Henry Yeager, Jr., in care of Trust Oil Department Trust Services, First National Bank in Dallas Ruth Anne Yeager Ruth Peeler Yeager, Henry Yeager, Jr., & First National Bank in Dallas, Joint Trustees of Ruth Anne Yeager Trust No. 2 Mrs. Ruth Peeler Yeager in care of Trust Oil Department Trust Services, First National Bank in Dallas	1.25000 1.25000 50.00000 4.06746 3.02580 1.04167	0.00482 0.00482 0.19267 0.01567 0.01166 0.00401	0.00502 0.00502 0.20062 0.01632 0.01214 0.00418	0.00039 0.00039 0.01567 0.00127 0.00095 0.00033	0.00307 0.00307 0.12295 0.01000 0.00744 0.00256
16	Gulf Oil Corporation	4.36507 100.00000	0.01682 0.38534	0.01751 0.40126	0.00137 0.03134	0.01074 0.24589
17	First National Bank of Lea County, Trustee for the Cecil H. Sweet and Imo Emmetta Sweet Trust	100.00000	0.17539	0.16097	0.17130	0.16531
18	Getty Oil Company	100.00000	0.02662	0.02300	0.13047	0.06814
19	Chevron U.S.A., Inc.	100.00000	0.00853	0.00013	0.19617	0.08247
20	First National Bank of Lea County, Trustee Cecil H. Sweet and Imo Emmetta Sweet Trust	100.00000	0.46388	0.44274	0.39268	0.42171
21	Bill Sweet	100.00000	0.00082	0.00000	0.04338	0.01822
			0.02651	0.02300	0.08569	0.04933

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
22	Bill Sweet	100.00000	0.00000	0.00000	0.09207	0.03867
23	Atlantic Richfield Company	100.00000	0.06415	0.05085	0.13035	0.08424
24	Shell Oil Company	100.00000	2.13208	2.18100	0.93009	1.65562
25	Getty Oil Company	100.00000	0.38428	0.34282	1.37055	0.77447
26	Cities Service Company	100.00000	0.73038	0.65783	2.93591	1.61462
27	Shell Oil Company	100.00000	4.99981	4.72987	3.68081	4.28926
28	Gulf Oil Corporation	100.00000	1.55912	1.44073	2.98865	2.09086
29	Shell Oil Company	100.00000	0.71513	0.61650	1.11779	0.82704
30	Amerada Hess Corporation Getty Oil Company	50.00000 50.00000 <u>100.00000</u>	0.16818 0.16818 <u>0.33636</u>	0.16350 0.16349 <u>0.32699</u>	0.35766 0.35766 <u>0.71532</u>	0.24504 0.24505 <u>0.49009</u>
31	Texas Pacific Oil Company, Inc.	100.00000	4.47471	4.52936	2.18451	3.54452
32	Samedan Oil Corporation First National Bank of Casper, Trustee, Tate Trusts The First National Bank of Fort Worth, Agent for William S. Spradling The First National Bank of Fort Worth, Trustee for Verda Spradling, Account No. 3211 C. C. Forbes Ilamae Forbes	37.80000 3.75000 0.62500 0.62500 1.90000 1.85000	1.20719 0.11976 0.01996 0.01996 0.06068 0.05908	1.12526 0.11163 0.01861 0.01861 0.05656 0.05507	0.52622 0.05221 0.00870 0.00870 0.02645 0.02575	0.87367 0.08667 0.01445 0.01445 0.04391 0.04276

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
32	Samuel Roberts Noble Foundation, Inc. G. D. Morris Richard L. Noble Portales National Bank John Roring SEA Properties, Ltd. E. C. Sullivan	28.75000 1.25000 15.20000 1.87500 3.75000 0.75000 1.87500 <u>100.00000</u>	0.91817 0.03992 0.48543 0.05988 0.11976 0.02396 0.05988 <u>3.19363</u>	0.85585 0.03721 0.45249 0.05582 0.11163 0.02233 0.05582 <u>2.97689</u>	0.40024 0.01740 0.21160 0.02610 0.05221 0.01044 0.02610 <u>1.39212</u>	0.66449 0.02889 0.35132 0.04334 0.08667 0.01733 0.04334 <u>2.31129</u>
33A	First National Bank of Lea County, Trustee for Cecel H. Sweet and Imo Sweet Trust	100.00000	0.14618	0.13607	0.45033	0.26806
33B	First National Bank of Lea County, Trustee for Cecel H. Sweet and Imo Sweet Trust	100.00000	0.09081	0.08239	0.16981	0.11911
34	Shell Oil Company	100.00000	0.02065	0.00990	0.23908	0.10616
35	Texas Pacific Oil Company, Inc.	100.00000	0.09228	0.07279	0.34319	0.18636
36	C&C Operating Corporation	100.00000	0.01133	0.00688	0.03147	0.01721
37	Abo Petroleum Corporation Ward Investment Corporation Yates Petroleum Corporation S. P. Yates	52.50000 10.00000 25.00000 12.50000 <u>100.00000</u>	0.06818 0.01299 0.03246 0.01623 <u>0.12986</u>	0.05615 0.01069 0.02674 0.01337 <u>0.10695</u>	0.20376 0.03881 0.09703 0.04851 <u>0.38811</u>	0.11815 0.02250 0.05626 0.02813 <u>0.22504</u>
38	The Wiser Oil Company	100.00000	0.00209	0.00000	0.08529	0.03582
39	Getty Oil Company	100.00000	0.03247	0.02415	0.17221	0.08633
40	Continental Oil Company	100.00000	0.29448	0.32197	0.44016	0.37161
41	Samedan Oil Corporation	100.00000	0.07122	0.06099	0.26713	0.14757

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
42	Texaco, Inc.	100.00000	3.15134	3.09110	1.16515	2.28220
43	Exxon Corporation	100.00000	0.66554	0.49553	0.98320	0.70035
44	Amerada Hess Corporation	100.00000	3.36952	3.41061	1.86735	2.76244
45	Getty Oil Company	100.00000	3.64803	3.75614	2.83435	3.36899
46	Marathon Oil Company	100.00000	1.83355	1.86777	1.98935	1.91883
47	Exxon Corporation	100.00000	3.37645	3.25911	6.10957	4.45630
48	Exxon Corporation	100.00000	0.59298	0.59347	0.42645	0.52332
49	Amerada Hess Corporation	100.00000	1.37425	1.32399	1.40956	1.35993
50	Exxon Corporation	75.00000	0.07896	0.07199	0.17944	0.11711
	Cities Service Company	25.00000	0.02632	0.02399	0.05981	0.03904
		100.00000	0.10528	0.09598	0.23925	0.15615
51	Continental Oil Company	100.00000	2.01126	2.10178	2.84880	2.41553
52	Getty Oil Company	100.00000	0.87710	0.86847	1.23597	1.02282
53	Chevron U.S.A., Inc.	100.00000	2.75083	2.95624	2.50776	2.76788
54	Atlantic Richfield Company	100.00000	2.07685	2.28579	1.09210	1.78444
55	John P. Cusack, Jr.	25.00000	0.56276	0.60802	0.06241	0.37886
	Michael F. Cusack	25.00000	0.56276	0.60802	0.06241	0.37886
	Samedan Oil Corporation	48.50000	1.09176	1.17956	0.12107	0.73500
	SEA Properties, Ltd.	1.50000	0.03377	0.03648	0.00374	0.02273
		100.00000	2.25105	2.43208	0.24963	1.51545

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
56	John P. Cusack, Jr. Michael F. Cusack Samedan Oil Corporation SEA Properties, Ltd.	25.00000 25.00000 48.50000 1.50000 <u>100.00000</u>	0.57333 0.57333 1.11227 0.03440 <u>2.29333</u>	0.63029 0.63029 1.22276 0.03781 <u>2.52115</u>	0.02671 0.02671 0.05182 0.00161 <u>0.10685</u>	0.37679 0.37678 0.73096 0.02261 <u>1.50714</u>
57	Shell Oil Company	100.00000	2.91562	2.97071	3.07756	3.01559
58	Continental Oil Company	100.00000	4.16481	4.73239	1.68555	3.45272
59	Shell Oil Company	100.00000	6.45317	6.70337	0.33242	4.02757
60A	Del-Lea, Inc. M. Ralph Lowe, Inc. Kenneth D. McPeters Robert Martin Moran Moranco Linda B. Parrish and Linda Ann Parrish Richardson, Co-Trustees under the will of M. C. Parrish, Jr. Marshall & Winston, Inc.	16.40625 21.87500 4.09500 16.40625 20.51000 8.20750 12.50000 <u>100.00000</u>	0.00000 0.00000 0.00000 0.00000 0.00000 0.00000 0.00000 <u>0.00000</u>	0.00000 0.00000 0.00000 0.00000 0.00000 0.00000 0.00000 <u>0.00000</u>	0.00003 0.00005 0.00001 0.00004 0.00004 0.00002 0.00003 <u>0.00022</u>	0.00001 0.00002 0.00001 0.00001 0.00002 0.00001 0.00001 <u>0.00009</u>
60B	Del-Lea, Inc. M. Ralph Lowe, Inc. Kenneth D. McPeters Robert Martin Moran Moranco Linda B. Parrish and Linda Ann Parrish Richardson, Co-Trustees under the will of M. C. Parrish, Jr.	18.75000 25.00000 4.68000 18.75000 23.44000 9.38000 100.00000	0.02346 0.03128 0.00585 0.02346 0.02933 0.01173 0.12511 <u>0.12511</u>	0.02005 0.02674 0.00501 0.02005 0.02507 0.01003 0.10695 <u>0.10695</u>	0.00119 0.00159 0.00030 0.00119 0.00149 0.00060 0.00636 <u>0.00636</u>	0.01213 0.01617 0.00303 0.01213 0.01517 0.00607 0.06470 <u>0.06470</u>

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
61A	Shell Oil Company	100.00000	1.19303	1.22347	0.09076	0.74773
61B	Shell Oil Company	100.00000	1.06871	1.06806	0.01963	0.62772
62	Getty Oil Company	100.00000	1.15101	1.17464	0.11411	0.72922
63	Getty Oil Company	100.00000	1.15287	1.17515	0.31108	0.81224
64	Samedan Oil Corporation Mary Frances Cusack John Patrick Cusack, Jr., Trustee under the John Patrick Cusack Testamentary Trust John Patrick Cusack, Jr. Michael F. Cusack	62.50000 18.75000 4.68750 7.03125 7.03125 100.00000	0.21472 0.06441 0.01610 0.02416 0.02416 0.34355	0.19532 0.05860 0.01465 0.02197 0.02197 0.31251	0.00916 0.00275 0.00069 0.00103 0.00103 0.01466	0.11713 0.03514 0.00878 0.01318 0.01318 0.18741
65	Samedan Oil Corporation Mary Frances Cusack John Patrick Cusack, Jr., Trustee under the John Patrick Cusack Testamentary Trust John Patrick Cusack, Jr. Michael F. Cusack	62.50000 18.75000 4.68750 7.03125 7.03125 100.00000	0.23603 0.07081 0.01770 0.02655 0.02655 0.37764	0.23150 0.06945 0.01736 0.02605 0.02604 0.37040	0.01038 0.00311 0.00078 0.00117 0.00117 0.01661	0.13863 0.04159 0.01039 0.01560 0.01560 0.22181
66	Samedan Oil Corporation Hattie C. Williams Cities Service Company	87.89100 5.85900 6.25000 100.00000	2.00419 0.13360 0.14252 2.28031	2.17591 0.14505 0.15473 2.47569	0.33331 0.02222 0.02370 0.37923	1.40202 0.09346 0.09970 1.59518
67	Gulf Oil Corporation	100.00000	2.17917	2.11608	3.40765	2.65854
68	Shell Oil Company	100.00000	0.96616	0.84228	2.48452	1.53202

EXHIBIT E (CONT'D)

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Participation (By Tracts)			Investment Participation* (By Tracts)
			Phase I	Phase II	Phase III	
69	Amoco Production Company Landreth Interests	75.43501 24.56499 <u>100.00000</u>	1.38898 0.45231 <u>1.84129</u>	1.35806 0.44224 <u>1.80030</u>	1.87841 0.61170 <u>2.49011</u>	1.57661 0.51341 <u>2.09002</u>
70	Continental Oil Company	100.00000	4.69790	4.50257	7.98097	5.96350
71	Amerada Hess Corporation	100.00000	1.47100	1.45514	2.04430	1.70259
72	Shell Oil Company	100.00000	0.91041	0.83110	2.56349	1.55870
73	Gulf Oil Corporation	100.00000	2.09767	1.86731	3.47646	2.54315
74	Gulf Oil Corporation	100.00000	3.40184	3.62040	3.75733	3.67791
75A	Marathon Oil Company Atlantic Richfield Company	50.00000 50.00000 <u>100.00000</u>	0.32452 0.32451 <u>0.64903</u>	0.37746 0.37746 <u>0.75492</u>	1.04791 1.04792 <u>2.09583</u>	0.65905 0.65905 <u>1.31810</u>
75B	Marathon Oil Company Atlantic Richfield Company	50.00000 50.00000 <u>100.00000</u>	0.47836 0.47837 <u>0.95673</u>	0.47356 0.47356 <u>0.94712</u>	1.00267 1.00266 <u>2.00533</u>	0.69578 0.69579 <u>1.39157</u>
76	Cities Service Company	100.00000	2.34959	2.36589	2.52494	2.43269
77	Getty Oil Company	100.00000	1.22093	1.17282	0.70944	0.97820
78	Sun Oil Company	100.00000	0.22719	0.19658	0.43429	0.29642
79	Shell Oil Company	100.00000	2.40938	2.30652	1.96469	2.16295
80	Mobil Oil Corporation	100.00000	0.92642	0.82805	0.67264	0.76278
81	Amerada Hess Corporation	100.00000	0.14029	0.11442	0.60098	0.31878

EXHIBIT E (CONT'D)

Tract No.	<u>Working Interest Owner</u>	<u>Working Interest In Tract</u>	<u>Unit Participation (By Tracts)</u>			<u>Investment Participation* (By Tracts)</u>
			<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	
82	W. K. Byrom Robert G. McPherson	62.50000	0.07232	0.06827	0.07468	0.07096
		37.50000	0.04340	0.04096	0.04481	0.04258
		<u>100.00000</u>	<u>0.11572</u>	<u>0.10923</u>	<u>0.11949</u>	<u>0.11354</u>
83	Gulf Oil Corporation	100.00000	0.00000	0.00000	0.04756	0.01998
			<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>

EXHIBIT E (CONT'D)

SUMMARY

Working Interest Owner	Tract Nos.	Unit Participation			Investment Participation*
		Phase I	Phase II	Phase III	
Abo Petroleum Corporation	37	0.06818	0.05615	0.20376	0.11815
Amerada Hess Corporation	2	0.04372	0.03496	0.20696	0.10720
	8	0.00000	0.00000	2.11560	0.88855
	30	0.16818	0.16350	0.35766	0.24504
	44	3.36952	3.41061	1.86735	2.76244
	49	1.37425	1.32399	1.40956	1.35993
	71	1.47100	1.45514	2.04430	1.70259
	81	0.14029	0.11442	0.60098	0.31878
		6.56696	6.50262	8.60241	7.38453
Amoco Production Company	69	1.38898	1.35806	1.87841	1.57661
Ada A. Anderson	5	0.00629	0.00396	0.02317	0.01203
Ada A. Anderson, Paul Donald Anderson & Payton V. Anderson, Executors of the Estate of Warren D. Anderson	5	0.00629	0.00396	0.02317	0.01203
W. D. Anderson & Sons	5	0.01257	0.00793	0.04633	0.02405
J. M. Armstrong	5	0.01257	0.00793	0.04633	0.02406
Atlantic Richfield Company	23	0.06415	0.05085	0.13035	0.08424
	54	2.07685	2.28579	1.09210	1.78444
	75A	0.32451	0.37746	1.04792	0.65905
	75B	0.47837	0.47356	1.00266	0.69579
		2.94388	3.18766	3.27303	3.22352
W. K. Byrom	82	0.07232	0.06827	0.07468	0.07096
C&C Operating Corporation	36	0.01133	0.00688	0.03147	0.01721

EXHIBIT E (CONT'D)

Working Interest Owner	Tract Nos.	Unit Participation			Investment Participation*
		Phase I	Phase II	Phase III	
Chevron U.S.A., Inc.	11	0.00000	0.00000	0.07277	0.03056
	19	0.46388	0.44274	0.39268	0.42171
	53	2.75083	2.95624	2.50776	2.76788
		<u>3.21471</u>	<u>3.39898</u>	<u>2.97321</u>	<u>3.22015</u>
Cities Service Company	26	0.73038	0.65783	2.93591	1.61462
	50	0.02632	0.02399	0.05981	0.03904
	66	0.14252	0.15473	0.02370	0.09970
	76	2.34959	2.36589	2.52494	2.43269
		<u>3.24881</u>	<u>3.20244</u>	<u>5.54436</u>	<u>4.18605</u>
Mary Daniel Conrad	15	0.02408	0.02508	0.00196	0.01537
Continental Oil Company	6	0.05157	0.03087	1.35192	0.58571
	40	0.29448	0.32197	0.44016	0.37161
	51	2.01126	2.10178	2.84880	2.41553
	58	4.16481	4.73239	1.68555	3.45272
	70	4.69790	4.50257	7.98097	5.96350
		<u>11.22002</u>	<u>11.68958</u>	<u>14.30740</u>	<u>12.78907</u>
Herman R. Crile, Sr., Trustee of Herman R. Crile, Sr.	15	0.03613	0.03762	0.00294	0.02305
John P. Cusack, Jr.	55	0.56276	0.60802	0.06241	0.37886
	56	0.57333	0.63029	0.02671	0.37679
	64	0.02416	0.02197	0.00103	0.01318
	65	0.02655	0.02605	0.00117	0.01560
		<u>1.18680</u>	<u>1.28633</u>	<u>0.09132</u>	<u>0.78443</u>
John Patrick Cusack, Jr., Trustee under John Patrick Cusack Testamentary Trust	64	0.01610	0.01465	0.00069	0.00878
	65	0.01770	0.01736	0.00078	0.01039
		<u>0.03380</u>	<u>0.03201</u>	<u>0.00147</u>	<u>0.01917</u>

EXHIBIT E (CONT'D)

<u>Working Interest Owner</u>	<u>Tract Nos.</u>	<u>Unit Participation</u>			<u>Investment Participation*</u>
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	
Mary Frances Cusack	64	0.06441	0.05860	0.00275	0.03514
	65	0.07081	0.06945	0.00311	0.04159
		0.13522	0.12805	0.00586	0.07673
Michael F. Cusack	55	0.56276	0.60802	0.06241	0.37886
	56	0.57333	0.63029	0.02671	0.37678
	64	0.02416	0.02197	0.00103	0.01318
	65	0.02655	0.02604	0.00117	0.01560
		1.18680	1.28632	0.09132	0.78442
Del-Lea, Inc.	13	0.08746	0.08048	0.03529	0.06150
	60A	0.00000	0.00000	0.00003	0.00001
	60B	0.02346	0.02005	0.00119	0.01213
		0.11092	0.10053	0.03651	0.07364
J. N. Dunlavey	10A	0.00194	0.00171	0.00168	0.00169
Russell G. Estes d/b/a Estes Engineering Co.	5	0.00335	0.00211	0.01236	0.00641
Exxon Corporation	43	0.66554	0.49553	0.98320	0.70035
	47	3.37645	3.25911	6.10957	4.45630
	48	0.59298	0.59347	0.42645	0.52332
	50	0.07896	0.07199	0.17944	0.11711
		4.71393	4.42010	7.69866	5.79708
First National Bank of Casper, Trustee, Tate Trusts	32	0.11976	0.11163	0.05221	0.08667
The First National Bank of Fort Worth, Agent for William S. Spradling	32	0.01996	0.01861	0.00870	0.01445
The First National Bank of Fort Worth, Trustee for Verda Spradling, Account No. 3211	32	0.01996	0.01861	0.00870	0.01445

EXHIBIT E (CONT'D)

<u>Working Interest Owner</u>	<u>Tract Nos.</u>	<u>Unit Participation</u>			<u>Investment Participation*</u>
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	
First National Bank of Lea County, Trustee for Cecil H. Sweet and Imo Sweet Trust	17	0.02662	0.02300	0.13047	0.06814
	20	0.00082	0.00000	0.04338	0.01822
	33A	0.14618	0.13607	0.45033	0.26806
	33B	0.09081	0.08239	0.16981	0.11911
		0.26443	0.24146	0.79399	0.47353
First Roswell Company	10A	0.00388	0.00341	0.00335	0.00339
C. C. Forbes	32	0.06068	0.05656	0.02645	0.04391
Ilamae Forbes	32	0.05908	0.05507	0.02575	0.04276
Getty Oil Company	1	0.04166	0.03449	0.13978	0.07871
	10A	0.01034	0.00910	0.00894	0.00903
	10B	0.00000	0.00000	0.00504	0.00212
	12	0.02525	0.02093	0.10735	0.05723
	18	0.00853	0.00013	0.19617	0.08247
	25	0.38428	0.34282	1.37055	0.77447
	30	0.16818	0.16349	0.35766	0.24505
	39	0.03247	0.02415	0.17221	0.08633
	45	3.64803	3.75614	2.83435	3.36899
	52	0.87710	0.86847	1.23597	1.02282
	62	1.15101	1.17464	0.11411	0.72922
	63	1.15287	1.17515	0.31108	0.81224
	77	1.22093	1.17282	0.70944	0.97820
		8.72065	8.74233	7.56265	8.24688
Gulf Oil Corporation	3	0.03122	0.02643	0.08361	0.05045
	9	0.26552	0.20781	1.29435	0.66416
	16	0.17539	0.16097	0.17130	0.16531
	28	1.55912	1.44073	2.98865	2.09086
	67	2.17917	2.11608	3.40765	2.65854
	73	2.09767	1.86731	3.47646	2.54315
	74	3.40184	3.62040	3.75733	3.67791
	83	0.00000	0.00000	0.04756	0.01998
		9.70993	9.43973	15.22691	11.87036

EXHIBIT E (CONT'D)

<u>Working Interest Owner</u>	<u>Tract Nos.</u>	<u>Unit Participation</u>			<u>Investment Participation*</u>
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	
Kenneth Noel Headley	14	0.02166	0.02216	0.00227	0.01381
	15	0.03612	0.03761	0.00294	0.02306
		<u>0.05778</u>	<u>0.05977</u>	<u>0.00521</u>	<u>0.03687</u>
Peter Hurd	15	0.02408	0.02508	0.00196	0.01537
Ruby Wanda Conrad Judson	15	0.00482	0.00502	0.00039	0.00307
Landreth Interests	69	0.45231	0.44224	0.61170	0.51341
George P. Laflin	10A	0.00194	0.00171	0.00168	0.00169
M. Ralph Lowe, Inc.	60A	0.00000	0.00000	0.00005	0.00002
	60B	0.03128	0.02674	0.00159	0.01617
		<u>0.03128</u>	<u>0.02674</u>	<u>0.00164</u>	<u>0.01619</u>
Marathon Oil Company	46	1.83355	1.86777	1.98935	1.91883
	75A	0.32452	0.37746	1.04791	0.65905
	75B	0.47836	0.47356	1.00267	0.69578
		<u>2.63643</u>	<u>2.71879</u>	<u>4.03993</u>	<u>3.27366</u>
Marshall & Winston, Inc.	60A	0.00000	0.00000	0.00003	0.00001
Kathryn Louise Conrad McCarthy	15	0.00482	0.00502	0.00039	0.00307
Kenneth D. McPeters	10A	0.00291	0.00256	0.00251	0.00254
	60A	0.00000	0.00000	0.00001	0.00001
	60B	0.00585	0.00501	0.00030	0.00303
		<u>0.00876</u>	<u>0.00757</u>	<u>0.00282</u>	<u>0.00558</u>
Robert G. McPherson	82	0.04340	0.04096	0.04481	0.04258
Mobil Oil Corporation	80	0.92642	0.82805	0.67264	0.76278
Moranco	10A	0.00388	0.00341	0.00335	0.00339
	60A	0.00000	0.00000	0.00004	0.00002
	60B	0.02933	0.02507	0.00149	0.01517
		<u>0.03321</u>	<u>0.02848</u>	<u>0.00488</u>	<u>0.01858</u>

EXHIBIT E (CONT'D)

<u>Working Interest Owner</u>	<u>Tract Nos.</u>	<u>Unit Participation</u>			<u>Investment Participation*</u>
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	
Robert Martin Moran	10A	0.01164	0.01024	0.01005	0.01016
	60A	0.00000	0.00000	0.00004	0.00001
	60B	0.02346	0.02005	0.00119	0.01213
		0.03510	0.03029	0.01128	0.02230
G. D. Morris	32	0.03992	0.03721	0.01740	0.02889
Nathlyn Ione Conrad Murdoch	15	0.00482	0.00502	0.00039	0.00307
Richard L. Noble	32	0.48543	0.45249	0.21160	0.35132
Samuel Roberts Noble Foundation, Inc.	32	0.91817	0.85585	0.40024	0.66449
Linda B. Parrish and Linda Ann Parrish Richardson, Co-Trustees under the will of M. C. Parrish, Jr.	60A	0.00000	0.00000	0.00002	0.00001
	60B	0.01173	0.01003	0.00060	0.00607
		0.01173	0.01003	0.00062	0.00608
Portales National Bank	32	0.05988	0.05582	0.02610	0.04334
John Roring	32	0.11976	0.11163	0.05221	0.08667
Frances I. Conrad Rose	15	0.00482	0.00502	0.00039	0.00307
Samedan Oil Corporation	32	1.20719	1.12526	0.52622	0.87367
	41	0.07122	0.06099	0.26713	0.14757
	55	1.09176	1.17956	0.12107	0.73500
	56	1.11227	1.22276	0.05182	0.73096
	64	0.21472	0.19532	0.00916	0.11713
	65	0.23603	0.23150	0.01038	0.13863
	66	2.00419	2.17591	0.33331	1.40202
		5.93738	6.19130	1.31909	4.14498
SEA Properties, Ltd.	32	0.02396	0.02233	0.01044	0.01733
	55	0.03377	0.03648	0.00374	0.02273
	56	0.03440	0.03781	0.00161	0.02261
		0.09213	0.09662	0.01579	0.06267

EXHIBIT E (CONT'D)

Working Interest Owner	Tract Nos.	Unit Participation			Investment Participation*
		Phase I	Phase II	Phase III	
Shell Oil Company	7	0.33855	0.28554	2.37454	1.16292
	24	2.13208	2.18100	0.93009	1.65562
	27	4.99981	4.72987	3.68081	4.28926
	29	0.71513	0.61650	1.11779	0.82704
	34	0.02065	0.00990	0.23908	0.10616
	57	2.91562	2.97071	3.07756	3.01559
	59	6.45317	6.70337	0.33242	4.02757
	61A	1.19303	1.22347	0.09076	0.74773
	61B	1.06871	1.06806	0.01963	0.62772
	68	0.96616	0.84228	2.48452	1.53202
	72	0.91041	0.83110	2.56349	1.55870
	79	2.40938	2.30652	1.96469	2.16295
		<u>24.12270</u>	<u>23.76832</u>	<u>18.87538</u>	<u>21.71328</u>
Howell Spear	10A	0.00049	0.00042	0.00042	0.00043
Ellie Sims Spear	10A	0.00049	0.00042	0.00042	0.00043
E. C. Sullivan	32	0.05988	0.05582	0.02610	0.04334
Sun Oil Company	78	0.22719	0.19658	0.43429	0.29642
Bill Sweet	21	0.02651	0.02300	0.08569	0.04933
	22	<u>0.00000</u>	<u>0.00000</u>	<u>0.09207</u>	<u>0.03867</u>
		0.02651	0.02300	0.17776	0.08800
Texaco, Inc.	42	3.15134	3.09110	1.16515	2.28220
Texas Pacific Oil Company, Inc.	4	0.11473	0.10166	0.29162	0.18144
	31	4.47471	4.52936	2.18451	3.54452
	35	<u>0.09228</u>	<u>0.07279</u>	<u>0.34319</u>	<u>0.18636</u>
		4.68172	4.70381	2.81932	3.91232

EXHIBIT E (CONT'D)

<u>Working Interest Owner</u>	<u>Tract Nos.</u>	<u>Unit Participation</u>			<u>Investment Participation*</u>
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	
Bettye Conrad Treadaway	15	0.00482	0.00502	0.00039	0.00307
Two States Oil Company	14	0.06498	0.06649	0.00682	0.04143
Ward Investment Corporation	37	0.01299	0.01069	0.03881	0.02250
Loyd Whitley	10A	0.00194	0.00171	0.00168	0.00169
Hattie C. Williams	66	0.13360	0.14505	0.02222	0.09346
A. T. Williamson	10A	0.00194	0.00171	0.00168	0.00169
The Wiser Oil Company	14	0.08663	0.08865	0.00910	0.05523
	15	0.19267	0.20062	0.01567	0.12295
	38	0.00209	0.00000	0.08529	0.03582
		0.28139	0.28927	0.11006	0.21400
Yates Petroleum Corporation	37	0.03246	0.02674	0.09703	0.05626
S. P. Yates	37	0.01623	0.01337	0.04851	0.02813
Dr. Henry Yeager, Jr. in care of Trust Oil Department Trust Services, First National Bank in Dallas	15	0.01567	0.01632	0.00127	0.01000
Ruth Anne Yeager	15	0.01166	0.01214	0.00095	0.00744
Ruth Peeler Yeager, Henry Yeager, Jr., & First National Bank in Dallas, Joint Trustees of Ruth Anne Yeager Trust No. 2	15	0.00401	0.00418	0.00033	0.00256

EXHIBIT E (CONT'D)

Working Interest Owner	Tract Nos.	Unit Participation			Investment Participation*
		Phase I	Phase II	Phase III	
Mrs. Ruth Peeler Yeager in care of Trust Oil Department Trust Services, First National Bank in Dallas	15	0.01682	0.01751	0.00137	0.01074
W. A. Yeager	5	<u>0.01257</u> 100.00000	<u>0.00793</u> 100.00000	<u>0.04633</u> 100.00000	<u>0.02406</u> 100.00000

* Applicable only to
investment costs
incurred prior to
the Investment
Readjustment Date



EXHIBIT F

Attached to and made a part of UNIT OPERATING AGREEMENT
North Hobbs (Grayburg-San Andres) Unit
Lea County, New Mexico

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations, and related expenses

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%), or percent most recently recommended by the Council of

4. Material Petroleum Accountants Societies of North America.

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 1A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall (X) shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 2311
Producing Well Rate \$ 165

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April ^{*} ~~each year following the effective date of the agreement~~ ~~to the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.~~

* of the year 1978 and each year thereafter.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ 25,000 :

- A. 3 % of total costs if such costs are more than \$ 25,000 but less than \$ 100,000 ; plus
- B. 3 % of total costs in excess of \$ 100,000 but less than \$1,000,000; plus
- C. 2 % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

2. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
 - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
 - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Joint Property
 - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV. If Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.



EXHIBIT G
ATTACHED TO UNIT OPERATING AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

INSURANCE PROVISIONS

Unit Operator shall carry the following insurance with respect to Unit Operations:

- (1) Public liability and property damage insurance with limits of \$100,000.00 for injuries to or death of one person and \$300,000.00 for injuries or deaths in one accident, and \$100,000.00 for property damage in one accident.
- (2) Automobile public liability and property damage insurance with limits of \$100,000.00 for injuries to or death of one person and \$300,000.00 for injuries or deaths in one accident, and \$100,000.00 for property damage in one accident.

All insurance coverage required hereby shall be carried at the joint expense and for the benefit of the Working Interest Owners. Premiums for automobile public liability and property damage insurance on Unit Operator's fully owned equipment shall not be charged directly to the joint account, but will be covered by the flat rate charge assessed for the use of such equipment. Unit Operator will not carry fire, windstorm or explosion insurance covering Unit Operations or Unit Equipment.

Contractors and sub-contractors will be required to carry insurance of the same types as hereinabove specified and in such amounts as deemed necessary by Unit Operator.

If under the laws of the State in which operations are conducted Operator is authorized to be a self-insurer as to workmen's compensation and/or employers' liability, Operator may elect to be a self-insurer under such laws and in such event Operator shall charge to the joint account, in lieu of any premiums for such insurance, a premium equivalent limited to amounts determined by applying manual insurance rates to the payroll.

If the parties hereto or any of them shall insure their respective risks beyond the specific limits of insurance required hereunder to be carried by the Unit Operator, the benefits of such insurance shall inure to the parties procuring and maintaining the same, respectively, and the cost of such insurance shall be borne by such parties, respectively, without reimbursement one from the other and without entering into any accounting hereunder.

EXHIBIT H

ATTACHED TO UNIT OPERATING AGREEMENT
NORTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

INDEMNITY AGREEMENT

WHEREAS, Section 14(c) of an agreement entitled "Unit Agreement, North Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico," dated June 1, 1978, provides that under certain circumstances and conditions therein stated a Tract that fails to qualify under Section 14(a) or Section 14(b) may be qualified under said Section 14(c) if the requisite Working Interest Owners in the Tract as specified in said Section 14(c) request the qualification of the Tract and execute and deliver, or obligate themselves to execute and deliver, an indemnity agreement; and

WHEREAS, Tract _____, described in the Unit Agreement is such a Tract; and

WHEREAS, the undersigned are owners of Working Interest in such Tract and have become parties to the Unit Agreement and the Unit Operating Agreement and desire the qualification of the Tract under said Section 14(c):

NOW THEREFORE, in consideration of and conditioned upon said Tract meeting the other requirements of said Section 14(c) of the Unit Agreement and its being qualified under said Section 14(c), the undersigned hereby request the qualification of said Tract under said Section 14(c) and agree, together with other owners of Working Interest in the Tract who execute and deliver, or who obligate themselves to execute and deliver, like indemnity agreements, to indemnify and hold harmless all other Working Interest Owners in the Unit Area against all claims and demands required by said Section 14(c) to be the subject of such indemnity. Any liability arising hereunder shall be borne by the undersigned and other Working Interest Owners in the Tract who are committed to like indemnity agreements in the proportion that the Working Interest of each in the Tract bears to the total Working Interest therein of all the owners of Working Interest in the Tract committed to such indemnity agreement.

This indemnity shall become void with respect to all claims and demands based upon occurrences subsequent to any time that conditions are such that said Tract would be qualified under the provisions of said Unit Agreement without this indemnity.

This agreement shall be binding upon and inure to the benefit of the heirs, devisees, legal representatives, successors, and assigns of the respective parties initially bound or benefited by the provisions hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date opposite its signature.

EXHIBIT F

Attached to and made a part of UNIT OPERATING AGREEMENT
North Hobbs (Grayburg-San Andres) Unit
Lea County, New Mexico

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the ~~direct~~ supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations. and related expenses
- (2) Salaries/of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. ?

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%), or percent most recently recommended by the Council of

4. Material Petroleum Accountants Societies of North America.

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred, as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall (X) shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 2311
Producing Well Rate \$ 165

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April ~~each year following the effective date of the agreement to which this Accounting Procedure is attached~~ ^{*}. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

* of the year 1978 and each year thereafter.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ 25,000 :

A. 3 % of total costs if such costs are more than \$ 25,000 but less than \$ 100,000 ; plus

B. 3 % of total costs in excess of \$ 100,000 but less than \$1,000,000; plus

C. 2 % of total costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

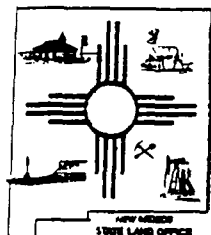
Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.



State of New Mexico
Commissioner of Public Lands

#5371

W. R. Humphries
COMMISSIONER

Advisory Board April 24, 1990

George Clark
Chairman

Kristin Conniff
Vice Chairman

Melvin Cordova

Joe Kelly

Robert Portillos

Nancy Lynch Vigil

Rex Wilson

Amoco Production Company
P.O. Box 3092
Houston, Texas 77253

ATTN: M. D. Castleberry

RE: South Hobbs (GSA) Unit
1990 Plan of Development

Gentlemen:

The Commissioner of Public Lands has this date approved the 1990 Plan of Development for the South Hobbs GSA 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 of the Unit may exist. You will be contacted at a later date regarding these possibilities.

Enclosed is an approved copy of the 1990 Plan of Development for your files. If we may be of further help, please do not hesitate to contact this office at (505) 827-5746.

Very truly yours,

W.R. HUMPHRIES,
COMMISSIONER OF PUBLIC LANDS

BY:

A handwritten signature in dark ink, appearing to read "Floyd O. Prando".

FLOYD O. PRANDO, Director
Oil and Gas Division
(505) 827-5746

cc: OCD - Santa Fe, New Mexico
BLM
Unit Correspondence File
Unit P.O.D. File

WRH/FOP/SMH



J. R. Barnett
Division Production
Manager

Amoco Production Company

Houston Region
501 WestLake Park Boulevard
Post Office Box 3092
Houston, Texas 77253

Southwest Texas -
Eastern New Mexico Division

August 8, 1984

#5371

File: JLW-416-3463

Re: Phase III Effective Date
South Hobbs (Grayburg-San Andres) Unit
Lea County, NM

Commissioner of Public Lands
Director, Oil and Gas Division
P. O. Box 1140
Santa Fe, NM 87501

Attn: Mr. Jim Baca

Gentlemen:

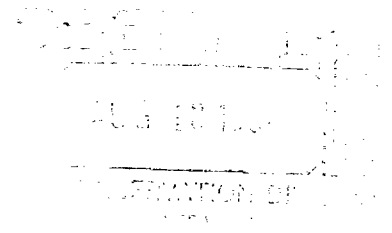
Please refer to our previous correspondence of July 25, 1984, File: JLW-416-2819, advising that the South Hobbs (Grayburg-San Andres) Unit would enter Phase III, August 1, 1984. Production from the unit and other qualified tracts did not reach 12,800,000 barrels as anticipated but will during August; therefore, Phase III will become effective September 1, 1984.

Yours very truly,

J. R. Barnett
JB

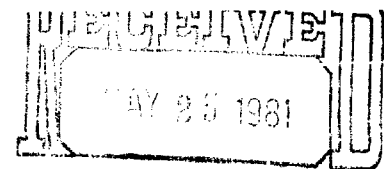
BBU/mab

cc: Mr. Joe Ramey, Director
New Mexico Oil Conservation Division
Box 2088
Santa Fe, NM 87501





E. D. Newman
Division Operations
Superintendent



OIL CONSERVATION DIVISION
Amoco Production Company

Houston Region
500 Jefferson Building
Post Office Box 3092
Houston, Texas 77001
West Texas-Eastern
New Mexico Division

May 15, 1981

File: GDD(2)-416-2217

Re: Phase Change
South Hobbs (Grayburg San Andres) Unit
Lea County, New Mexico

Case 5371

Commissioner of Public Lands
Attn: Mr. Ray D. Graham
Director of Oil and Gas Division
P. O. Box 1148
Santa Fe, NM 87501

Gentlemen:

This is to advise that production from the South Hobbs (Grayburg-San Andres) Unit reached 6,400,000 barrels during the month of August, 1980. Therefore in accordance with the Unit Agreement, Phase II became effective September 1, 1980. We would appreciate your updating your records accordingly. We regret this oversight for not notifying you sooner.

Yours very truly,

E. D. Newman
Enr

WJW/jmc
753/F

cc: Joe D. Ramey, Director
NMOCB
Box 2088
Santa Fe, NM 87501





STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

Case 5371

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

April 24, 1980

Amoco Production Company
P. O. Box 68
Hobbs, New Mexico 88240

Attention: Mr. S. J. Okerson

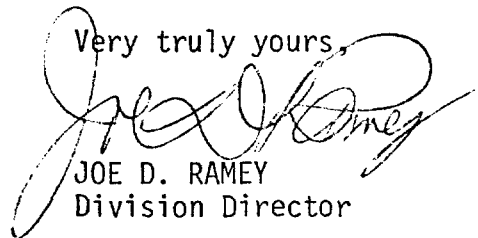
Administrative Order PMX-83

Gentlemen:

Reference is made to your letter dated April 3, 1980, requesting certain extensions to the project area for your pressure maintenance project in the South Hobbs GSA Unit, Hobbs Pool, Lea County, New Mexico.

Pursuant to the authority granted me by Rule 10 of Order No. R-4934, the Amoco South Hobbs Grayburg-San Andres Pressure Maintenance Project Area is hereby expanded to include the SW/4 NE/4 and SE/4 of Section 6, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico.

Very truly yours,


JOE D. RAMEY
Division Director

JDR/DSN/g

cc: Oil Conservation Division
Box 1980
Hobbs, New Mexico

State Land Office
Santa Fe, New Mexico

State of New Mexico



JIM BACA
COMMISSIONER

Commissioner of Public Lands

November 30, 1984

Amoco Production Company
P. O. Box 3092
Houston, Texas 77253

#5371

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

Re: South Hobbs Gb/Sa Unit
Approval for enlargement
Lea County, New Mexico

ATTENTION: Mr. D. L. Hood

Gentlemen:

This office is in receipt of your application for approval for enlargement of the South Hobbs (Grayburg - San Andres) Unit Area to include the W/2SE/4 of Section 5-19S-38E, Lea County, New Mexico.

The Commissioner of Public Lands has this date approved the enlargement of the South Hobbs Unit Area to include the W/2SE/4 of Section 5-19S-38E as per Article 12 of said unit agreement. The effective date of the enlargement is December 1, 1984.

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

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 

FLOYD O. PRANDO, Assistant Director
Oil and Gas Division
AC 505/827-5744

JB/FOP/pm
encls.
cc:

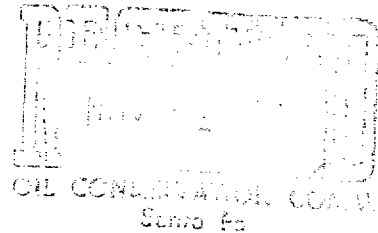
OCD-Santa Fe, New Mexico ✓


Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

E. E. Morris
Division Engineer

October 31, 1974



File: DRC-986.51NM-3503

Re: Request for Hearing
Hobbs Pool

Mr. A. L. Porter, Jr., (3)
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Sir:

Amoco Production Company respectfully requests a hearing, be scheduled for the approval of the South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico, and for approval of a pressure maintenance project. Amoco will further request approval of 45 water injection service wells, provisions for administrative approval of additional injection wells in the project, approval of a project area and provisions for transfer of allowable within the project area.

Attached is a map of the Hobbs Field including the names of interested parties showing the unit outline and the location of the proposed initial injection wells. A tabulation showing the name and location of the initial injection wells and a copy of the Unit Agreement is also attached.

Amoco Production Company respectfully requests that this matter be heard at the Examiner Hearing scheduled for November 26, 1974.

Yours very truly,

E. E. Morris

Attachments

DRC:as

DOCKET MAILED

Date 11-15-74

ATWOOD, MALONE, MANN & COOTER

LAWYERS

JEFF D. ATWOOD [1883-1960]
ROSS L. MALONE [1910-1974]

P. O. DRAWER 700
SECURITY NATIONAL BANK BUILDING
ROSWELL, NEW MEXICO 88201
[505] 622-6221

CHARLES F. MALONE
RUSSELL D. MANN
PAUL A. COOTER
BOB F. TURNER
ROBERT A. JOHNSON
JOHN W. BASSETT
ROBERT E. SABIN
RUFUS E. THOMPSON
RALPH D. SHAMAS

November 20, 1974

Mr. A. L. Porter, Jr., Director
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87105

RE: Examiner Hearing November 26, 1974
Case No. 5371
Case No. 5372

Dear Mr. Porter:

In behalf of Amoco Production Company, I would appreciate your filing the enclosed Entrys of Appearance by our firm, in each of the two cases cited above, for the applicant.

Thank you and with regards,

Very truly yours,


Charles F. Malone

CFM:sgs
Enclosures

cc: Guy Buell, Esquire
Dean J. Capp, Esquire

TO THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
LEA COUNTY
TOWNSHIP 19 SOUTH
RANGE 38 EAST

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF AMOCO PRODUCTION COMPANY FOR)
APPROVAL OF PRESSURE MAINTENANCE)
PROJECT, SOUTH HOBBS UNIT, GRAY-)
BURG AND SAN ANDRES FORMATIONS,)
ON LANDS IN TOWNSHIP 19 SOUTH,)
RANGE 38 EAST, LEA COUNTY, NEW)
MEXICO, AND FOR SPECIAL RULES)
INCLUDING ADMINISTRATIVE PROCEDURES.

Case No. 5372

ENTRY OF APPEARANCE

The undersigned Atwood, Malone, Mann & Cooter of
Roswell, New Mexico, hereby enter their appearance herein
for the Applicant, Amoco Production Company with Guy Buell,
Esquire, of Houston, Texas.

ATWOOD, MALONE, MANN & COOTER

By Charles Malone
Attorneys for Amoco Production
Company
P. O. Drawer 700
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION)
OF AMOCO PRODUCTION COMPANY FOR)
APPROVAL OF ITS SOUTH HOBBS UNIT)
AGREEMENT, COVERING LANDS IN TOWN-)
SHIPS 18 and 19 SOUTH, RANGE 38)
EAST, LEA COUNTY, NEW MEXICO.) Case No. 5371

ENTRY OF APPEARANCE

The undersigned Atwood, Malone, Mann & Cooter of
Roswell, New Mexico, hereby enter their appearance herein
for the Applicant, Amoco Production Company with Guy Buell,
Esquire, of Houston, Texas.

ATWOOD, MALONE, MANN & COOTER

By Charles E. Malone
Attorneys for Amoco Production
Company
P. O. Drawer 700
Roswell, New Mexico 88201



State of New Mexico

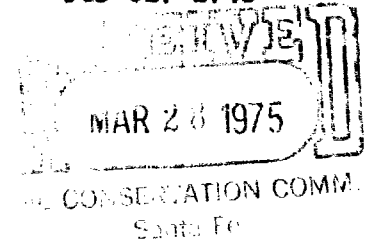


Commissioner of Public Lands

March 26, 1975

PHIL R. LUCERO
COMMISSIONER

TELEPHONE
505-827-2748



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

Amoco Production Company
500 Jefferson Building
P. O. Box 3092
Houston, Texas 77001

Re: Initial Plan of Operation
South Hobbs (Grayburg-San Andres) Unit
Lea County, New Mexico

ATTENTION: Mr. Carl J. Christensen

Gentlemen:

This will acknowledge receipt of your letter dated March 7, 1975, together with your Initial Plan of Operation and a list of well names and numbers for the South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico.

The Commissioner of Public Lands has this date approved your Initial Plan of Operation and accepts your list of well names and numbers.

We are retaining the only copy submitted for our files.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

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

PRL/RDG/s
cc:

OCC-Santa Fe, New Mexico ✓



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

**STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR**

December 5, 1974

Mr. Guy Buell
Amoco Production Company
Post Office Box 3092
Houston, Texas 77001

Re: CASE NO. 5371
ORDER NO. R-4924
Applicant:
Amoco Production Company

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u> x </u>
Artesia OCC	<u> </u>
Aztec OCC	<u> </u>

Other Unit Division - State Land Office



Bruce A. Landis, Jr.
Division Unitization
Superintendent

5-71
JUN 21 1977
Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

June 17, 1977

File: BAL-416-2357

Re: South Hobbs (Grayburg - San Andres) Unit
Lea County, New Mexico

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, NM

Gentlemen:

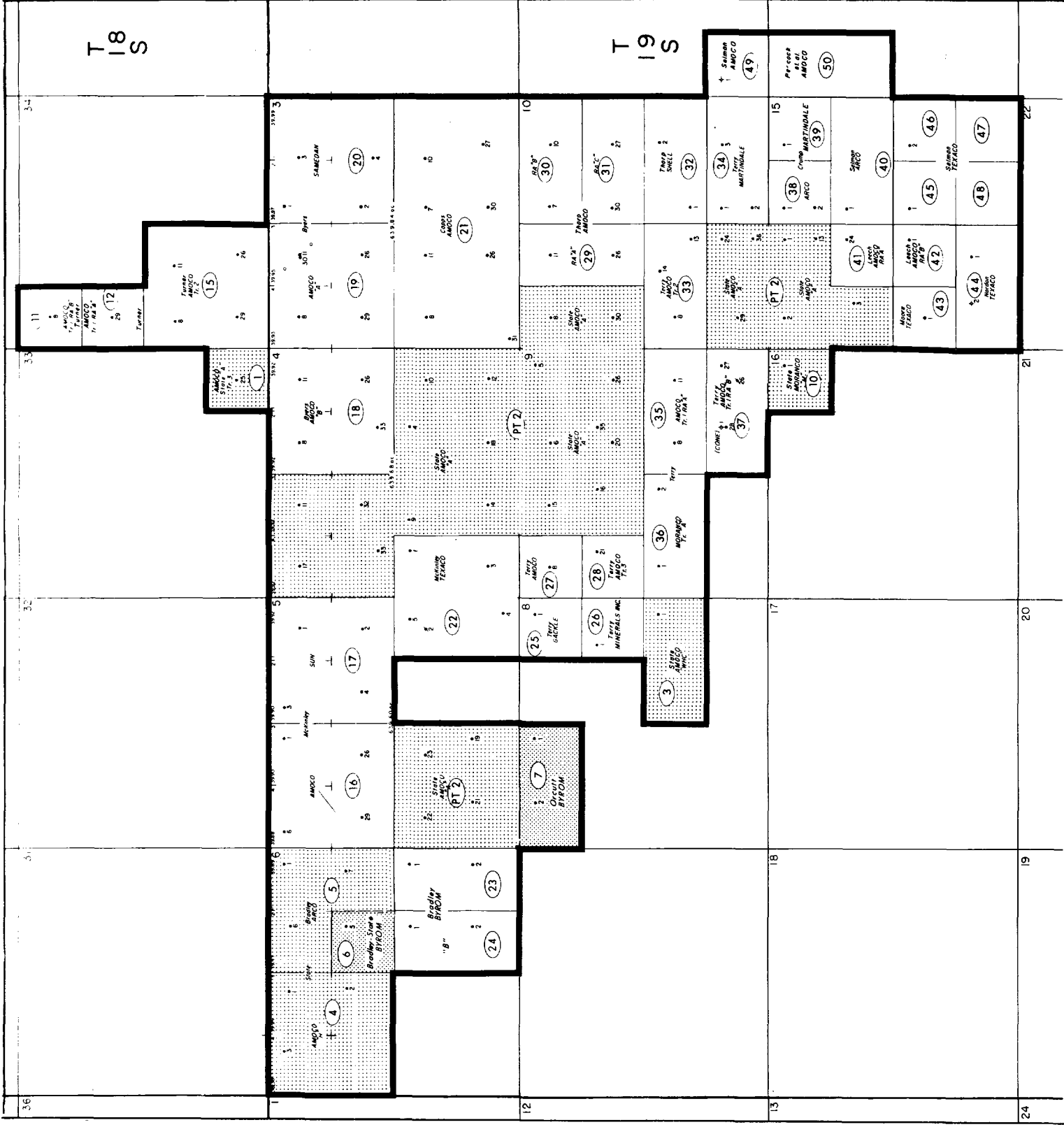
The first enlargement of the South Hobbs (Grayburg - San Andres) Unit, Lea County, New Mexico, to include Tracts 6, 7, 23 and 24 will be effective July 1, 1977. Enclosed for your records are copies of First Revision to Exhibit "A" and Second Revision to Exhibits "B" and "C." Also enclosed are copies of ratifications from interest owners in the affected tracts.

Yours very truly,

Bruce A. Landis Jr.
EA

RA/gh
5/0696

Enclosures



R 38 E

— legend —
TRACT BOUNDARY
STATE LAND
FEE LAND
UNIT BOUNDARY

SECOND REVISION

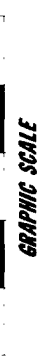
EXHIBIT "A"

TO

UNIT AGREEMENT

SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT

Lea County, New Mexico



GRAPHIC SCALE

THIRD REVISION
EXHIBIT "B"

TO

UNIT AGREEMENT

SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE
AND KIND OF OWNERSHIP OF ALL LANDS WITHIN THE
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
<u>T-18-S, R-38-E</u>							
1	SE/4 SE/4 Sec. 33	40.00	A-1212-1 10-18-28	State-A11	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-38-E</u>							
2	NW/4, E/2 SW/4, SE/4, Sec. 4 SW/4 Sec. 5 E/2 NW/4, NE/4 Sec. 9 W/2 NW/4, S/2 SW/4 Sec. 10 N/2 NW/4, SW/4 NW/4 Sec. 15	1,079.84	A-1212-1 10-18-28	State-A11	Amoco Production Company	Amoco Production Company-.09261%	Amoco Production Company-100%
3	N/2 SE/4 Sec. 8	80.00	A-1469-2 12-18-28	State-A11	Amerada Hess Corporation	None	Amoco Production Company-100%
4	NW/4 Sec. 6	157.32	A-1646-9 1-11-29	State-A11	Robert M. Taubman	None	Amoco Production Company-37.71751% Landreth Interests -12.28249% J. H. Morris Agent-50.00000%
5	N/2 NE/4, SE/4 NE/4 Sec. 6	117.32	A-1646-5 1-11-29	State-A11	Atlantic Richfield Company	None	Atlantic Richfield Company-100%
6	SW/4 NE/4 Sec. 6	40.00	A-1646-5 1-11-29	State-A11	Atlantic Richfield Company	Atlantic Richfield Company-10.93750%	Amoco Production Company-100%
7	N/2 NW/4 Sec. 8	80.00	B-244-1 9-10-31	State-A11	Gulf Oil Corporation	Gulf Oil Corp-5.46880%	Amoco Production Company-100%

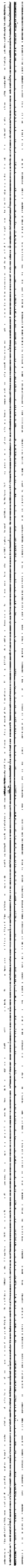
B-1

[illegible]

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
10	NE/4 NE/4 Sec. 16	40.00	E-8432-2 8-17-54	State-All	Moranco (Moran Oil Producing & Drilling Corporation)	None	J. N. Dunlavy-6.25% First Roswell Co.-6.25% George P. Laflin-6.25% K. D. McPeters-6.25% R. M. Moran-40.625% Moranco-15.625% P. A. Wardlaw-6.25% Lloyd Whitely-6.25% A. T. Williamson-6.25%

Eight (8) State Tracts totaling 1,634.48 acres consisting of 33.81 percent of the Unit Area.

<u>T-18-S, R-38-E</u>							
11	NW/4 NW/4 Sec. 34	40.00	Fee-HBP	Marshall and Winston Inc. -12.50%*	Amoco Production Company	None	Amoco Production Company-100%
12	SW/4 NW/4 Sec. 34	40.00	Fee-HBP	Atlantic Richfield Company -9.37504%*	Amoco Production Company	None	Amoco Production Company-100%
15	SW/4 Sec. 34	160.00	Fee-HBP	Bonnie R. Etz -12.5%*	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-38-E</u>							
16	NW/4 Sec. 5	159.78	Fee-HBP	J.M.R. Lyeth, Jr. & M.L. Lyeth -14.06248%	Amoco Production Company	None	Amoco Production Company-100%
17	NE/4 Sec. 5	159.82	Fee-HBP	J.M.R. Lyeth, Jr. & M.L. Lyeth -14.06248%*	Sun Oil Company	None	Sun Oil Company -100%



Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
18	NE/4 Sec. 4	159.82	Fee-HBP	Minnie Byers Life Est. -20.83336%*	Amoco Production Company	None	Amoco Production Company-100%
19	NW/4 Sec. 3	159.88	Fee-HBP	Minnie Byers Life Est. -20.8332%*	Amoco Production Company	None	Amoco Production Company-100%
20	NE/4 Sec. 3	159.96	Fee-HBP	Minnie Byers Life Est. -20.83360%*	Samedan Oil Corporation	Continental Company -3.12500% (Applies at average) producing rates of 50 BOPD per well or less and increases above that rate)	Samedan Oil Corporation -87.125%; John Patrick Cusack Estate-8.500%; J. P. Cusack, Jr.-2.000%; M. F. Cusack-2.000%; Sea Properties, Ltd.-.375%
21	S/2 Sec. 3	320.00	Fee-HBP	C. F. Bedford -10.5%*	Amoco Production Company	None	Amoco Production Company-100%
22	W/2 SW/4 Sec. 4 E/2 SE/4 Sec. 5	160.00	Fee-HBP	Cities Service Oil Company 16.66664%*	Texaco, Inc.	None	Texaco, Inc.-100%
23	E/2 SE/4 Sec. 6	80.00	Fee-HBP	Clara Fowler -18.93909%*	W. K. Byrom	Cities Service Company-2.39260%*	Amoco Production Company-66.8750% Partnership Properties Company-6.5625% Penrose Trust - 16.2500% J. M. Zachary - 10.3125%
24	W/2 SE/4 Sec. 6	80.00	Fee-HBP	Clara Fowler -15.06139%*	W. K. Byrom	Cities Service Oil Company -3.75980%*	Amoco Production Company-63.59143% C. B. & Jean Read -6.25001% Partnership Properties Company-6.15230% Penrose Trust - 14.33826% J. M. Zachary - 9.66800%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
25	NE/4 NE/4 Sec. 8	40.00	Fee-HBP	Ora B. Terry -37.50%*	Albert Gackle, Operator	Amoco Production Company-5.46875%	Albert Gackle, Operator- 16.66667% Margaret Clay- 7.08332% Rufus G. Clay Trusts 1, 2 and 3-7.08332% W. J. & Ellen H. Clay Trusts-14.16668% Management Trust Co.- 5.00000% Adelaide Dwight- 16.66667% Est. of James H. Snowden - 16.66667% James M. Snowden- 16.66667%
26	SE/4 NE/4 Sec. 8	40.00	Fee-HBP	Ora B. Terry -37.50%*	Minerals, Inc.	Amoco Production Company-6.25000%*	Minerals, Inc.-100%
27	NW/4 NW/4 Sec. 9	40.00	Fee-HBP	Atlantic Rich- field Company -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
28	SW/4 NW/4 Sec. 9	40.00	Fee-HBP	Atlantic Rich- field Company -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
29	E/2 NW/4 Sec. 10	80.00	Fee-HBP	Atlantic Rich- field Company -37.50%*	Amoco Production Company	None	Amoco Production Company-100%
30	N/2 NE/4 Sec. 10	80.00	Fee-HBP	Bessie Dunnam -8.33336%*	Amoco Production Company	None	Amoco Production Company-100%
31	S/2 NE/4 Sec. 10	80.00	Fee-HBP	Elliot Oil Company-25.00%*	Amoco Production Company	None	Amoco Production Company-100%
32	N/2 SE/4 Sec. 10	80.00	Fee-HBP	Elliot Oil Company-25.00%*	Shell Oil Company	None	Shell Oil Company -100%



1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the situation.

2. Once the problem is identified, the next step is to analyze the situation and determine the root cause of the problem. This may involve conducting research, interviews, or other data collection methods.

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
33	N/2 SW/4 Sec. 10	80.00	Fee-HBP	Atlantic Richfield Company -12.5%*	Amoco Production Company	None	Amoco Production Company-100%
34	S/2 SE/4 Sec. 10	80.00	Fee-HBP	Ora B. Terry -25.00%*	R. L. Summers	None	R. L. Summers - 66.66667% Margaret M. McPherson - 16.66667% R. L. McPherson - 8.33333% Colleen M. Wallace - 8.33333%
35	N/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.66664%*	Amoco Production Company	None	Amoco Production Company-100%
36	N/2 SW/4 Sec. 9	80.00	Fee-HBP	Atlantic Richfield Company -25.00%*	Moranco (Moran Oil Prod. and Drilling Corp.)	Amoco Production Company - 6.25%	W. G. Abbott - 11.25% Acadia Corp. - 5% Lea Investors, Inc. - 7.5% J. S. McGannon - 3.75% K. D. McPeters - 3.75% R. M. Moran - 22.5% Moranco - 20% P. A. Wardlaw - 3.75% Western Reserves Oil Co. - 11.25% Loyd Whitely - 7.5% A. T. Williamson - 3.75%
37	S/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.66664%*	Amoco Production Company	None	Amoco Production Company-100%
38	N/4 NE/4 Sec. 15	40.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company	None	Atlantic Richfield Company-100%
39	NE/2 NE/4 Sec. 15	40.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company Operating Account	Atlantic Richfield Company -12.50%	Margaret M. McPherson-50% R. L. McPherson-25% Colleen M. Wallace-25%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
40	S/2 NE/4 Sec. 15	80.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company	None	Atlantic-Richfield Company-100%
41	SE/4 NW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
42	NE/4 SW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
43	NW/4 SW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -24.00004%*	Texaco, Inc.	None	Amoco Production Company-6.25000% Jane C. Harris-.92593% William J. Harris-.92593% J. B. Umpleby Est.-1.38888% Texaco, Inc.-18.05555% Helen Avara-4.16667% Ila Crawford, Indv. & Etx. J.P. Crawford Est 2.77776% Mary L. Dunbar-4.16667% Joanne Grieb-25.00000% Dalco Oil Co.-12.50000% Christine Johnson-4.16668% Loma Inc.-6.25000% Margaret H. Long-.92593% Moore Trust-12.50000%
44	S/2 SW/4 Sec. 15	80.00	Fee-HBP	U V Industries -21.33725%*	Texaco, Inc.	None	Texaco, Inc.-95.83333% Amoco Production Company-4.16667%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
45	NW/4 SE/4 Sec. 15	40.00	Fee-HBP	Texas International Petroleum Corporation -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
46	NE/4 SE/4 Sec. 15	40.00	Fee-HBP	Texas International Petroleum Corporation -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
47	SE/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
48	SW/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
49	SW/4 SW/4 Sec. 11	40.00	Fee-HBP	Cecil P. Bordages III -21.87504%*	Amoco Production Company	None	Amoco Production Company-80.04686% Olivia W. & George Etz-6.25000% Buttram Texhoma Company-5.10938% Lawson Petroleum Company-3.12500% Unleased-5.46876%
50	W/2 NW/4 Sec. 14	80.00	Fee-HBP	Atlantic Richfield Company -25.00000%* Texas International Petroleum Co. -25.000000%*	Amoco Production Company	None	Amoco Production Company-46.52777% Atlantic Richfield Company-25.000000% Tenneco Oil Company 12.50000% Hugh Corrigan III -6.25000% David E. Goodrich- -3.34722% Unleased - 9.37501%

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Thirty-eight (38) Fee Tracts totaling 3,199.26 acres consisting of 66.19 percent of the Unit Area.

RECAPITULATION OF NUMBER OF ACRES

State Lands	1,634.48 acres	33.81 percent
Fee Lands	<u>3,199.26 acres</u>	<u>66.19 percent</u>
	<u>4,833.74 acres</u>	<u>100.00 percent</u>

* Largest Royalty Interest Owner only is shown except where one or more owners have identical interests. Complete royalty ownership will be furnished upon request.



THIRD REVISION
EXHIBIT "B"

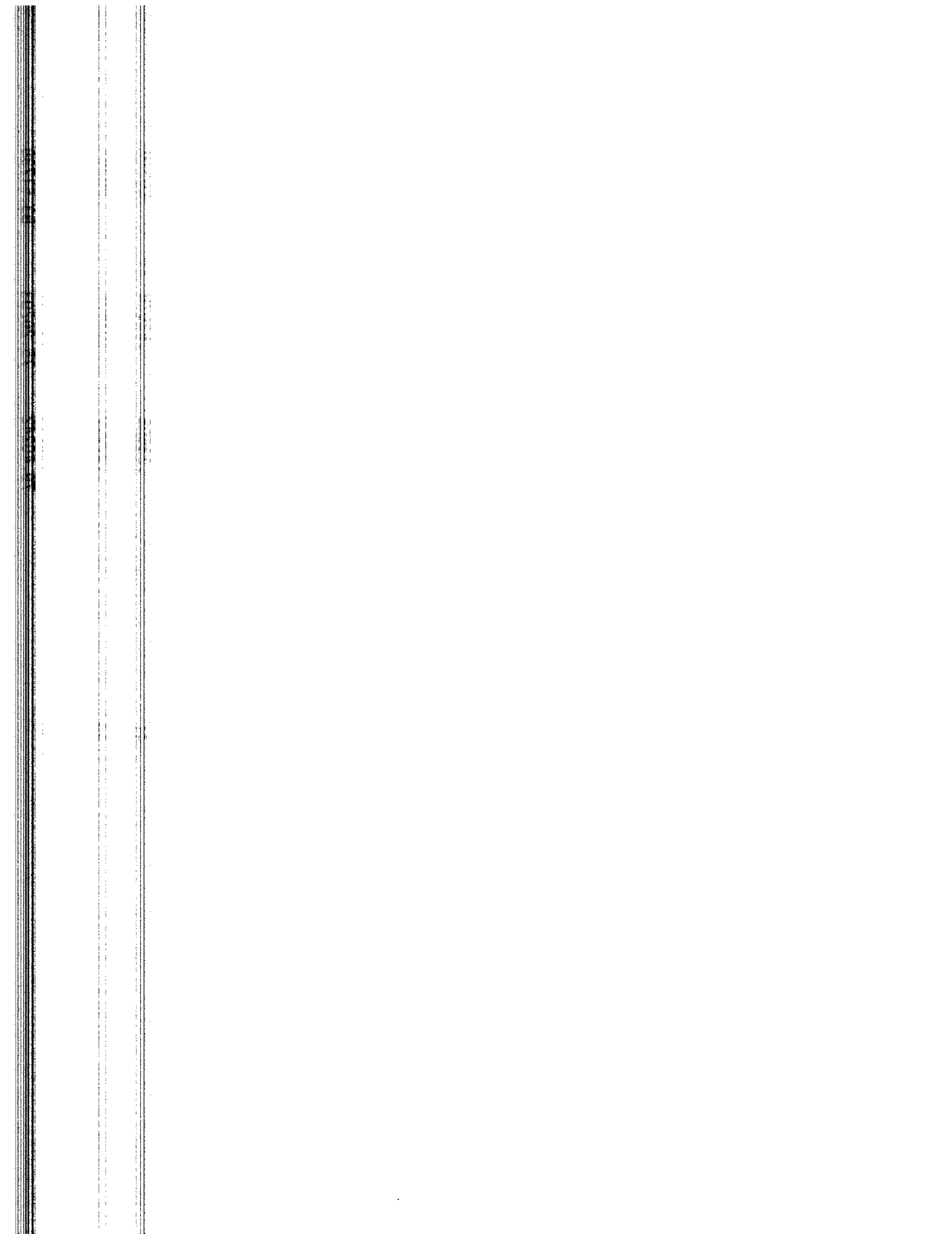
TO

UNIT AGREEMENT

SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

S U M M A R Y

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
W. G. Abbott	36	.02918	.06442	.02359
Acadia Corporation	36	.01297	.02863	.01049
Amoco Production Company	1	2.29437	1.70130	2.20204
	2	27.77515	26.59355	32.12389
	3	.00000	.11114	.00684
	4	.56340	.63015	.27450
	6	.43989	.50471	.34038
	7	.46131	.70853	.26590
	11	2.83567	2.00174	2.25186
	12	2.21072	1.74457	2.65339
	15	7.81744	6.39330	8.28097
	16	7.75821	6.09578	5.76487
	18	6.34143	5.74359	8.71958
	19	4.58273	4.41936	4.78985
	21	7.43540	7.21067	6.81943
	23	.67381	.74170	.23873
	24	.48488	.53469	.19552
	27	.30112	.60409	.54589
	28	.15471	.32582	.24839
	29	.97371	1.46414	2.72089
	30	1.33892	1.35109	.80364
	31	2.65938	2.04395	1.13459
	33	.99962	1.42864	1.46500
	35	.51865	1.06733	.73110
	37	.35680	.73420	.27319
	41	.23608	.52078	.28578
	42	.18160	.34816	.34872
	43	.00000	.01402	.00361
	44	.00742	.02280	.00793
	49	.00000	.05820	.01655
	50	.00000	.08403	.00465
		<u>79.40242</u>	<u>75.20203</u>	<u>83.51738</u>



<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Atlantic Richfield Company	5	3.99563	3.31023	1.23879
	38	.00000	.53087	.32028
	40	.00000	.61493	.28449
	50	.00000	.04515	.00250
		<u>3.99563</u>	<u>4.50118</u>	<u>1.84606</u>
Helen Avara	43	.00000	.00934	.00241
Buttram Texhoma Company	49	.00000	.00372	.00106
Ellen H. Clay, Indv. #8008-01	25	.01294	.02700	.02136
Margaret B. Clay	25	.01293	.02700	.02135
Clay Trusts 936-01	25	.01293	.02700	.02136
W. J. Clay Trust u/w #8008-00	25	.01293	.02700	.02136
Hugh Corrigan III	50	.00000	.01129	.00062
Ila Crawford, Individually and Executrix of J. P. Crawford Estate	43	.00000	.00623	.00160
John Patrick Cusack Estate	20	.11706	.20025	.10631
John P. Cusack, Jr.	20	.02754	.04712	.02501
Michael F. Cusack	20	.02754	.04712	.02501
Dalco Oil Company	43	.00000	.02804	.00721
Mary L. Dunbar	43	.00000	.00934	.00241

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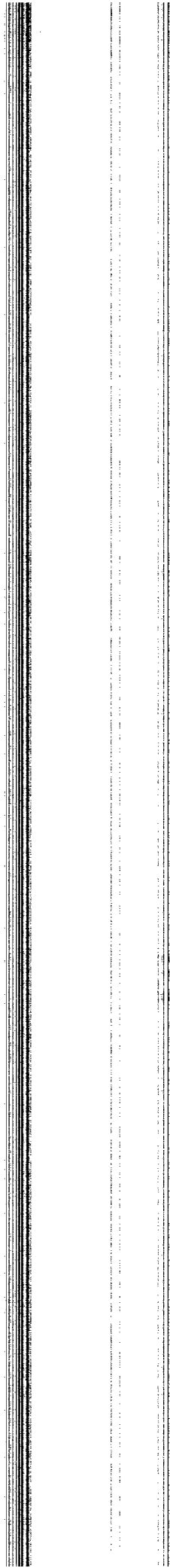
<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
J. N. Dunlavey	10	.00551	.01723	.00309
Adelaide F. Dwight	25	.03043	.06353	.05025
Olivia W. and George Etz	49	.00000	.00454	.00129
First Roswell Company	10	.00551	.01723	.00309
Albert Gackle, Operator	25	.03043	.06353	.05025
David E. Goodrich	50	.00000	.00063	.00003
Joanne Grieb	43	.00000	.05607	.01443
Jane C. Harris	43	.00000	.00208	.00053
William J. Harris	43	.00000	.00208	.00053
Christine Johnson	43	.00000	.00935	.00240
George P. Laflin	10	.00550	.01723	.00309
Landreth Interests	4	.18347	.20521	.08939
Lawson Petroleum Company	49	.00000	.00227	.00065
Lea Investors, Inc.	36	.01945	.04295	.01573
Loma, Inc.	43	.00000	.01402	.00361
Margaret H. Long	43	.00000	.00208	.00053
Management Trust Company	25	.00913	.01906	.01508
J. S. McGannon	36	.00972	.02147	.00786

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033	1034	1035	1036	1037	1038	1039	1040	1041	1042	1043	1044	1045	1046	1047	1048	1049	1050	1051	1052	1053	1054	1055	1056	1057	1058	1059	1060	1061	1062	1063	1064	1065	1066	1067	1068	1069	1070	1071	1072	1073	1074	1075	1076	1077	1078	1079	1080	1081	1082	1083	1084	1085	1086	1087	1088	1089	1090	1091	1092	1093	1094	1095	1096	1097	1098	1099	1100	1101	1102	1103	1104	1105	1106	1107	1108	1109	1110	1111	1112	1113	1114	1115	1116	1117	1118	1119	1120	1121	1122	1123	1124	1125	1126	1127	1128	1129	1130	1131	1132	1133	1134	1135	1136	1137	1138	1139	1140	1141	1142	1143	1144	1145	1146	1147	1148	1149	1150	1151	1152	1153	1154	1155	1156	1157	1158	1159	1160	1161	1162	1163	1164	1165	1166	1167	1168	1169	1170	1171	1172	1173	1174	1175	1176	1177	1178	1179	1180	1181	1182	1183	1184	1185	1186	1187	1188	1189	1190	1191	1192	1193	1194	1195	1196	1197	1198	1199	1200	1201	1202	1203	1204	1205	1206	1207	1208	1209	1210	1211	1212	1213	1214	1215	1216	1217	1218	1219	1220	1221	12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<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
K. D. McPeters	10	.00550	.01723	.00309
	36	.00973	.02148	.00787
		<u>.01523</u>	<u>.03871</u>	<u>.01096</u>
Margaret M. McPheron	34	.20065	.25852	.15190
	39	.14488	.20223	.13185
		<u>.34553</u>	<u>.46075</u>	<u>.28375</u>
R. L. McPheron	34	.10033	.12926	.07595
	39	.07244	.10111	.06593
		<u>.17277</u>	<u>.23037</u>	<u>.14188</u>
Minerals, Inc.	26	.29519	.40460	.21736
Moore Trust	43	.00000	.02804	.00721
R. M. Moran	10	.03577	.11198	.02008
	36	.05836	.12884	.04719
		<u>.09413</u>	<u>.24082</u>	<u>.06727</u>
Moranco	10	.01376	.04307	.00772
	36	.05187	.11453	.04194
		<u>.06563</u>	<u>.15760</u>	<u>.04966</u>
J. H. Morris, as Agent	4	.74688	.83536	.36389
Partnership Properties Company	23	.06612	.07279	.02340
	24	.04691	.05173	.01891
		<u>.11303</u>	<u>.12452</u>	<u>.04231</u>
Penrose Trust	23	.16373	.18023	.05794
	24	.10933	.12056	.04408
		<u>.27306</u>	<u>.30079</u>	<u>.10202</u>
Charles B. and Jean Read	24	.04765	.05255	.01922



<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Samedan Oil Corporation	20	1.19987	2.05253	1.08967
Sea Properties, Ltd.	20	.00517	.00883	.00469
Shell Oil Company	32	.82839	1.21820	1.11129
James M. Snowden	25	.03043	.06353	.05025
James H. Snowden Estate	25	.03043	.06353	.05025
R. L. Summers	34	.80259	1.03407	.60760
Sun Oil Company	17	5.06118	5.07112	5.65843
Tenneco Oil Company.	50	.00000	.02258	.00125
Texaco, Inc.	22	4.79321	4.33004	3.41646
	43	.00000	.04050	.01042
	44	.17062	.52441	.18228
	45	.45890	.60236	.26552
	46	.05191	.26262	.02827
	47	.00000	.12526	.00403
	48	.00000	.22698	.02177
		<u>5.47464</u>	<u>6.11217</u>	<u>3.92875</u>
J. B. Umpleby Estate	43	.00000	.00311	.00080
Colleen M. Wallace	34	.10032	.12926	.07595
	39	.07244	.10111	.06593
		<u>.17276</u>	<u>.23037</u>	<u>.14188</u>
P. A. Wardlaw	10	.00550	.01723	.00309
	36	.00973	.02148	.00786
		<u>.01523</u>	<u>.03871</u>	<u>.01095</u>



<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Western Reserves Oil Company	36	.02918	.06442	.02359
Lloyd Whitley	10	.00550	.01723	.00309
	36	.01945	.04295	.01573
		<u>.02495</u>	<u>.06018</u>	<u>.01882</u>
A. T. Williamson	10	.00550	.01723	.00309
	36	.00973	.02147	.00787
		<u>.01523</u>	<u>.03870</u>	<u>.01096</u>
J. M. Zachary	23	.10391	.11437	.03677
	24	.07372	.08129	.02973
		<u>.17763</u>	<u>.19566</u>	<u>.06650</u>
Unleased	49	.00000	.00398	.00113
	50	.00000	.01693	.00094
		<u>.00000</u>	<u>.02091</u>	<u>.00207</u>
TOTAL		<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>

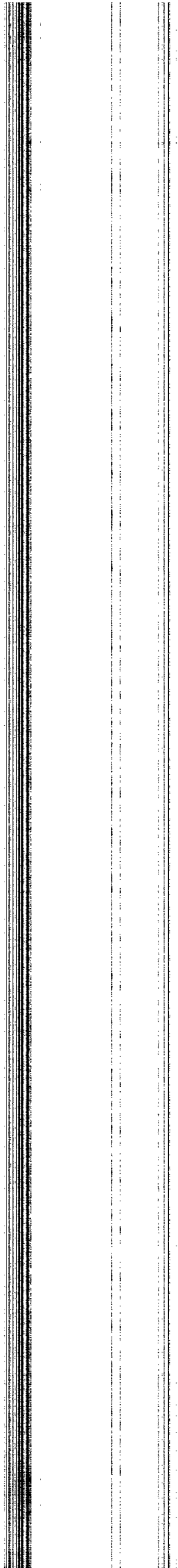
RMA/sjs
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THIRD REVISION
EXHIBIT "C"
TO
UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

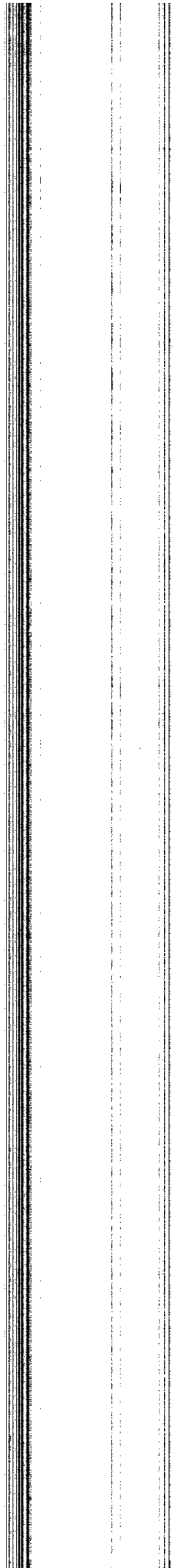
<u>Tract No.</u>	<u>Description</u>	<u>Tract Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
	<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>			
1	Section 33: SE/4 SE/4	2.29437	1.70130	2.20204
	<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>			
2	Section 4: NW/4, E/2 SW/4, SE/4 Section 5: SW/4 Section 9: E/2 NW/4, NE/4 Section 10: W/2 NW/4, S/2 SW/4 Section 15: N/2 NW/4, SW/4 NW/4	27.77515	26.59355	32.12389
3	Section 8: N/2 SE/4	.00000	.11114	.00684
4	Section 6: NW/4	1.49375	1.67072	.72778
5	Section 6: N/2 NE/4, SE/4 NE/4	3.99563	3.31023	1.23879
6	Section 6: SW/4 NE/4	.43989	.50471	.34038
7	Section 8: N/2 NW/4	.46131	.70853	.26590
10	Section 16: NE/4 NE/4	.08805	.27566	.04943
	<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>			
11	Section 34: NW/4 NW/4	2.83567	2.00174	2.25186
12	Section 34: SW/4 NW/4	2.21072	1.74457	2.65339
15	Section 34: SW/4	7.81744	6.39330	8.28097

Tract No.	Description	Tract Participation - %		
		Phase I	Phase II	Phase III
<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>				
16	Section 5: NW/4	7.75821	6.09578	5.76487
17	Section 5: NE/4	5.06118	5.07112	5.65843
18	Section 4: NE/4	6.34143	5.74359	8.71958
19	Section 3: NW/4	4.58273	4.41936	4.78985
20	Section 3: NE/4	1.37718	2.35585	1.25069
21	Section 3: S/2	7.43540	7.21067	6.81973
22	Section 5: E/2 SE/4 Section 4: W/2 SW/4	4.79321	4.33004	3.41646
23	Section 6: E/2 SE/4	1.00757	1.10909	.35654
24	Section 6: W/2 SE/4	.76249	.84082	.30746
25	Section 8: NE/4 NE/4	.18258	.38118	.30151
26	Section 8: SE/4 NE/4	.29519	.40460	.21736
27	Section 9: NW/4 NW/4	.30112	.60409	.54589
28	Section 9: SW/4 NW/4	.15471	.32582	.24839
29	Section 10: E/2 NW/4	.97371	1.46414	2.72089
30	Section 10: N/2 NE/4	1.33892	1.35109	.80364
31	Section 10: S/2 NE/4	2.65938	2.04395	1.13459
32	Section 10: N/2 SE/4	.82839	1.21820	1.11129
33	Section 10: N/2 SW/4	.99962	1.42864	1.46500
34	Section 10: S/2 SE/4	1.20389	1.55111	.91140
35	Section 9: N/2 SE/4	.51865	1.06733	.73110
36	Section 9: N/2 SW/4	.25937	.57264	.20972
37	Section 9: S/2 SE/4	.35680	.73420	.27319
38	Section 15: NW/4 NE/4	.00000	.53087	.32028
39	Section 15: NE/4 NE/4	.28976	.40445	.26371
40	Section 15: S/2 NE/4	.00000	.61493	.28449



Tract No.			Tract Participation - %		
	<u>Description</u>		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
41	Section 15:	SE/4 NW/4,	.23608	.52078	.28578
42	Section 15:	NE/4 SW/4	.18160	.34816	.34872
43	Section 15:	NW/4 SW/4	.00000	.22430	.05770
44	Section 15:	S/2 SW/4	.17804	.54721	.19021
45	Section 15:	NW/4 SE/4	.45890	.60236	.26552
46	Section 15:	NE/4 SE/4	.05191	.26262	.02827
47	Section 15:	SE/4 SE/4	.00000	.12526	.00403
48	Section 15:	SW/4 SE/4	.00000	.22698	.02177
49	Section 11:	SW/4 SW/4	.00000	.07271	.02068
50	Section 14:	W/2 NW/4	<u>.00000</u>	<u>.18061</u>	<u>.00999</u>
			100.00000%	100.00000%	100.00000%

SRD:fjc
ER/712



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE _____

AMOCO PRODUCTION COMPANY

DATE 4-15-77

W. V. Grisham
Attorney in Fact

APPROVED

W. V. Grisham

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE_ EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR
COUNTY, _____

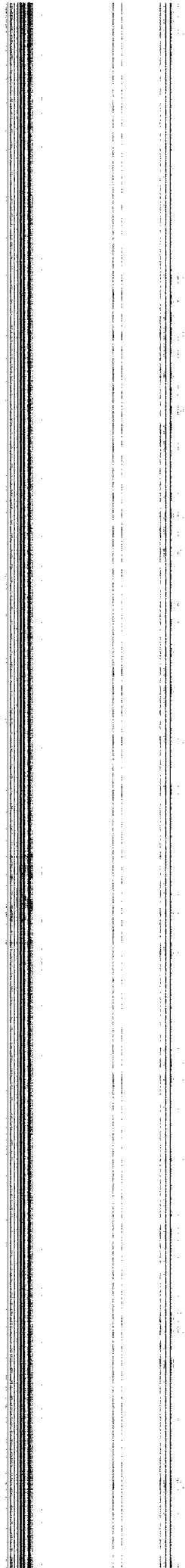
THE STATE OF Texas
COUNTY OF Harris

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED W. V. GRISHAM, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS Attorney in Fact of Amoco Production Company, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID corporation AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 15th DAY OF April, A.D. 1977.

Dorothy E. Middleton
NOTARY PUBLIC IN AND FOR
Harris COUNTY, Texas

DOROTHY E. MIDDLETON



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE April 20, 1977

PARTNERSHIP PROPERTIES CO.

DATE _____

By _____

John R. Hazlett
John R. Hazlett, Attorney-In-Fact
INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

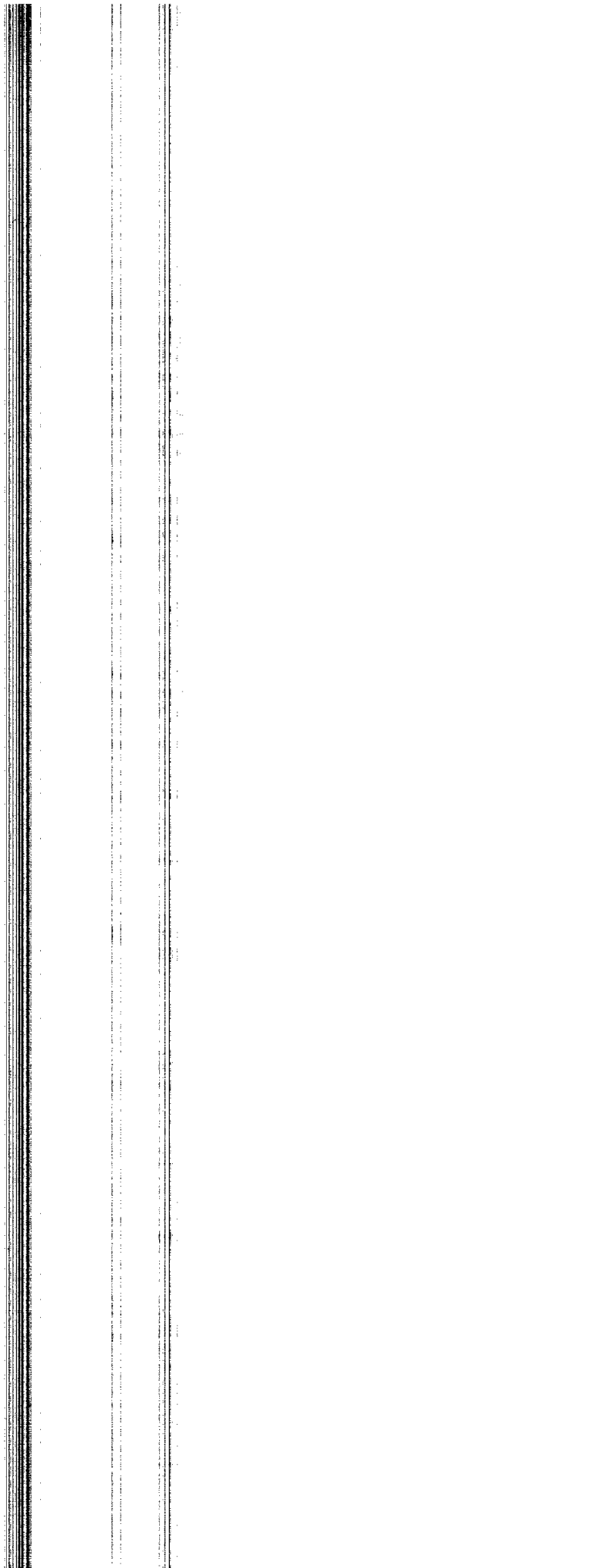
THE STATE OF Colorado
COUNTY OF Denver

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED John R. Hazlett, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS Attorney in fact OF Partnership Properties Co. AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID partnership AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 20th DAY OF April, A.D. 19 77.

Deane L. Gemmill
NOTARY PUBLIC IN AND FOR
Denver COUNTY, Colorado

My Commission expires Feb. 16, 1981



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE April 19, 1977

ATTEST:

WIK

Trust Officer

The First National Bank of Fort Worth, Trustee
U/A for the Neville G. Penrose Revocable Trust
#2754

BY:

Vice-President and Trust Officer

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR
_____ COUNTY, _____

THE STATE OF Texas
COUNTY OF Tarrant

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Jerry Eskew, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS Vice President & Trust Officer of The First National Bank of Fort Worth, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID Bank AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 19th DAY OF April, A.D. 19 77.

Delaine Gotcher, Notary Public
Tarrant County, Texas
My Commission Expires October 15, 1977

Delaine Gotcher
NOTARY PUBLIC IN AND FOR
Tarrant COUNTY, Texas

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FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

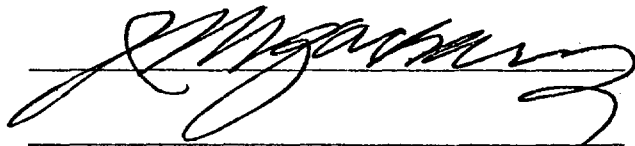
WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE 4/18/77

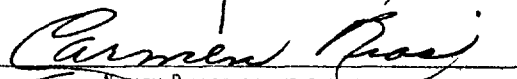


DATE _____

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF Texas
COUNTY OF TARRANT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED J. M. LACHARY, KNOWN TO ME TO BE THE PERSON ~~(S)~~ WHOSE NAME ~~(S)~~ IS ~~(ARE)~~ SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 18TH DAY OF JANUARY, A.D. 19 77.


NOTARY PUBLIC IN AND FOR
TARRANT COUNTY, TEXAS

THE STATE OF _____
COUNTY OF _____

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

CITIES SERVICE OIL COMPANY

Date May 31, 1977

By Wiley C. Hill
Wiley C. Hill, Attorney-in-Fact

STATE OF OKLAHOMA)

) SS

COUNTY OF TULSA)

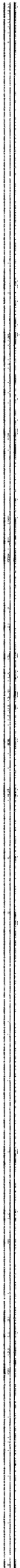
On this 31st day of May, 1977, before me personally appeared Wiley C. Hill, to me known to be the person who executed the foregoing instrument as Attorney-in-Fact in behalf of Cities Service Oil Company, a Delaware corporation, and acknowledged that he executed the same as the free act and deed of said Cities Service Oil Company.

My Commission Expires:

JUL 25 1980

Evelyn M. Schultz
Evelyn M. Schultz Notary Public

NOTARY PUBLIC IN AND FOR
COUNTY,



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE _____

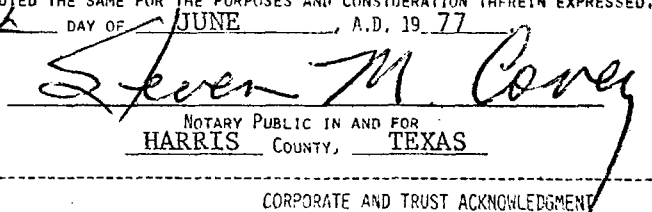

JEANNETTE ELWOOD CLIFT GEORGE, INDIVIDUALLY

DATE _____

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF TEXAS
COUNTY OF HARRIS

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED JEANNETTE ELWOOD CLIFT GEORGE, INDV., KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 5th DAY OF JUNE, A.D. 19 77


NOTARY PUBLIC IN AND FOR
HARRIS COUNTY, TEXAS

THE STATE OF _____
COUNTY OF _____

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

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FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE

April 19, 1977

Hugh Corrigan, III

DATE

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF FLORIDA
COUNTY OF INDIAN RIVER

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Hugh Corrigan, III, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 19th DAY OF April, A.D. 19 77.

Guendolyn P. Holland

NOTARY PUBLIC IN AND FOR
Indian River COUNTY, Florida

My Commission Expires: May 29, 1978

CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

[illegible]

FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

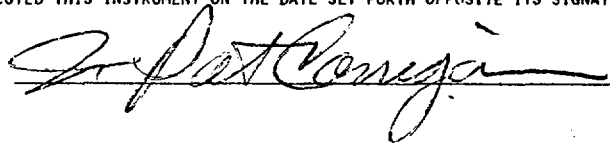
WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

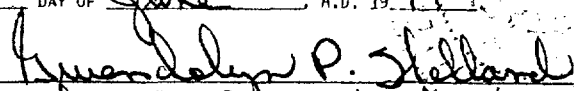
IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.



INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF Florida
COUNTY OF Indian River

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED J. Pat Corrigan, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 8th DAY OF June, A.D. 1977.


Howard P. Holland
NOTARY PUBLIC IN AND FOR
Indian River County, Florida
My Commission Expires: May 29, 1978

THE STATE OF _____
COUNTY OF _____

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

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FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF NEW MEXICO
COUNTY OF LEA

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED CLARA FOWLER, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT SHE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 6th DAY OF May, A.D. 19 77.

My Commission Expires:
March 14, 1979

Karen Wall
NOTARY PUBLIC IN AND FOR
Lea COUNTY, New Mexico

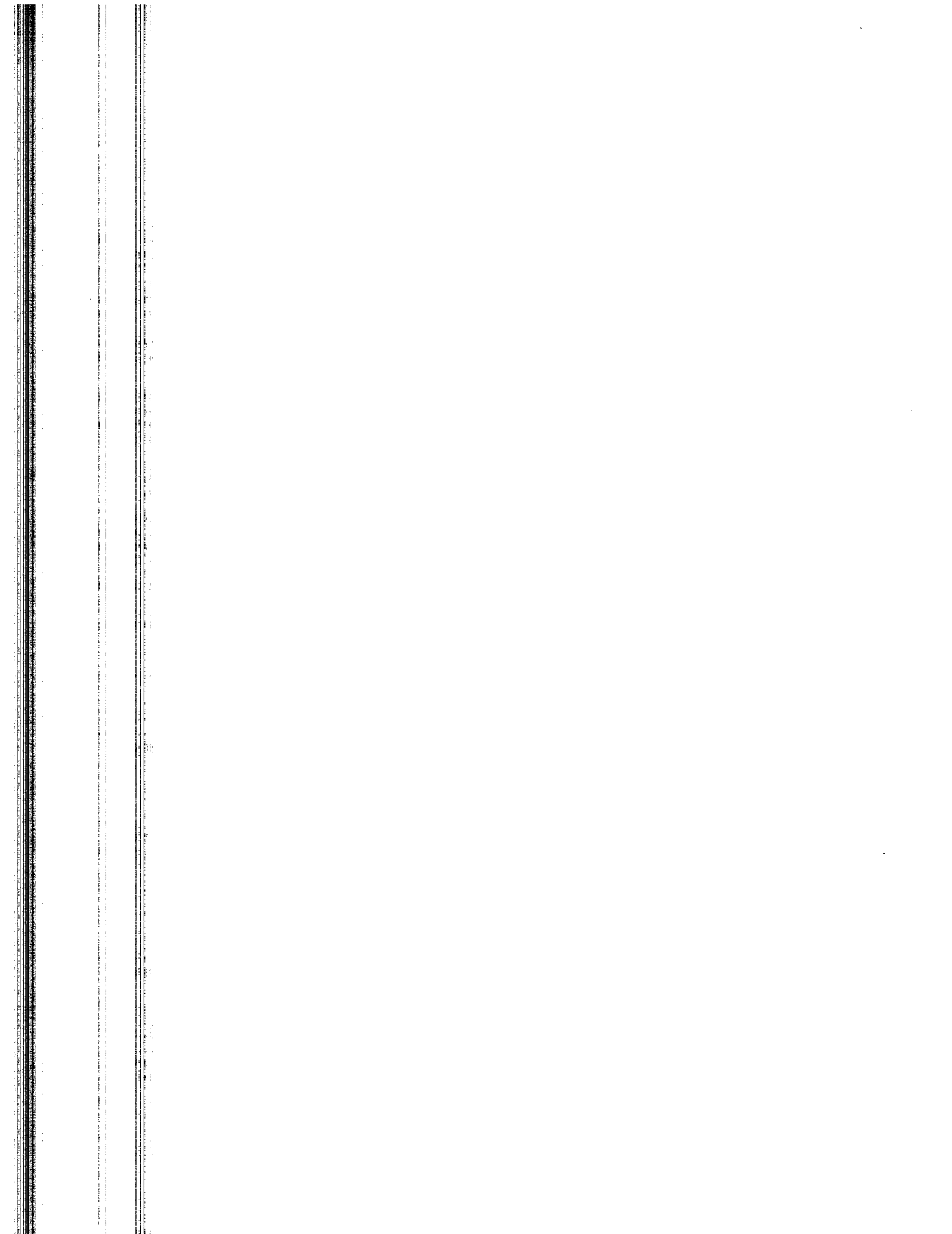
CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'"; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE

5/9/77

GULF OIL CORPORATION

By:

R. E. CALVIN
Attorney-in-Fact

DATE

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF TEXAS |

COUNTY OF MIDLAND |

The foregoing instrument was acknowledged before me this 9 day of May, 1977, by R. E. CALVIN, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania Corporation, on behalf of said Corporation.

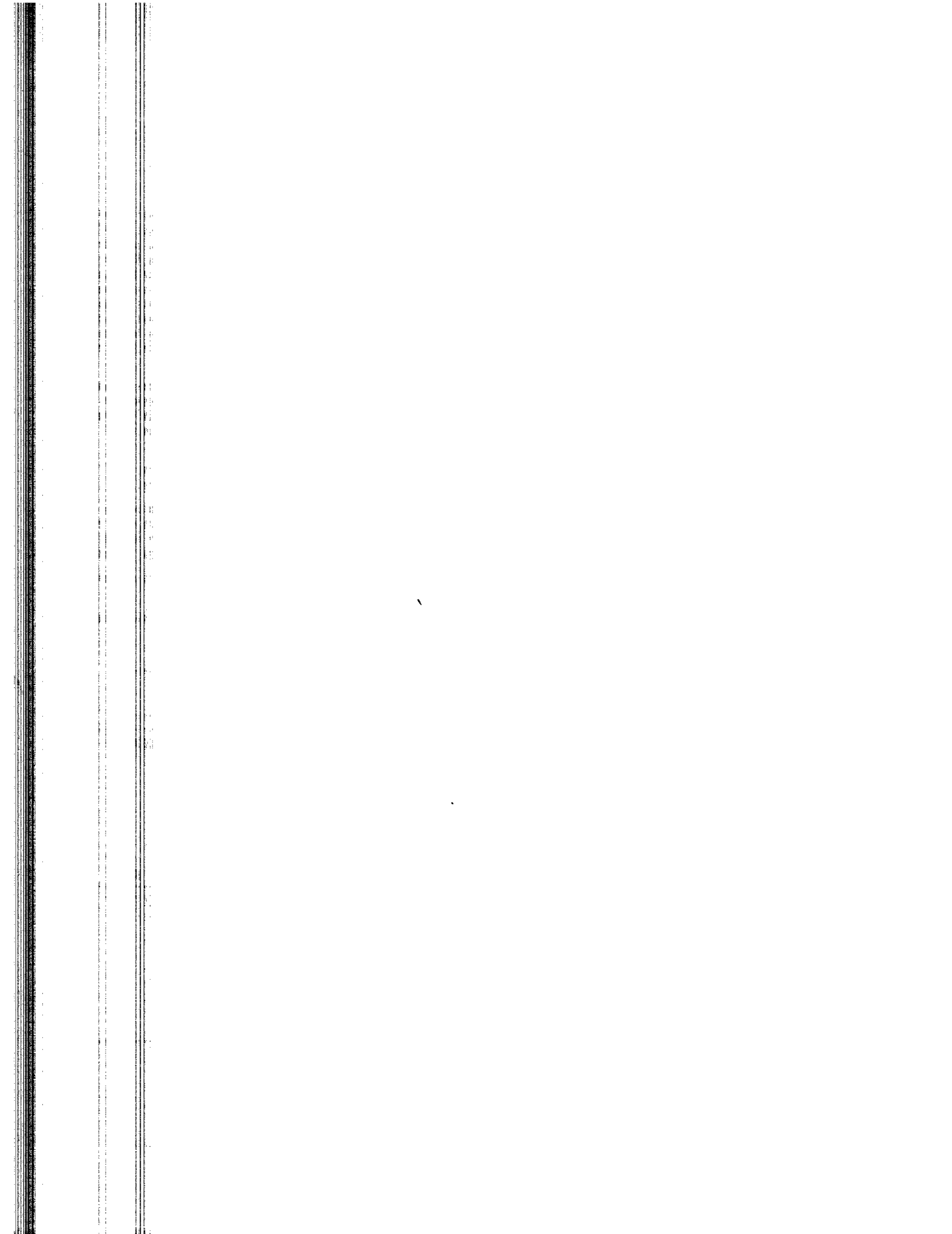
My commission expires:

6-1-77

Emily Jones
Notary Public in and for
Midland County, Texas

NOTARY PUBLIC IN AND FOR

COUNTY, _____



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE _____ ATTEST: _____

THE HOME-STAKE OIL & GAS COMPANY

DATE _____ BY: W. S. Seal
Secretary

By: O. Strother Simpson
President

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR
_____ COUNTY, _____

THE STATE OF OKLAHOMA
COUNTY OF TULSA

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED O. Strother Simpson, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS President of The Home-Stake Oil & Gas Company AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 18 DAY OF April, A.D. 19 77.

Dora H. Patterson
NOTARY PUBLIC IN AND FOR
Tulsa COUNTY, Okla.
Comm. exp. 1-7-81

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FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'"; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE -- ATTEST: _____

THE HOME-STAKE ROYALTY CORPORATION

By: W. H. H. H.
Secretary

By: O. Strother Simpson
President

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR
COUNTY, _____

THE STATE OF OKLAHOMA
COUNTY OF TULSA

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED O. Strother Simpson, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS President OF The Home-Stake Royalty Corporation, AND IN THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 18 DAY OF April, A.D. 19 77.

Dora N. Patterson
NOTARY PUBLIC IN AND FOR
Tulsa County, Okla.

1. The first part of the document is a list of the names of the persons who have been appointed to the various positions of the Board of Directors of the Corporation. The names are listed in alphabetical order, and each name is followed by the position to which he or she has been appointed. The names are as follows:

2. The second part of the document is a list of the names of the persons who have been appointed to the various positions of the Board of Directors of the Corporation. The names are listed in alphabetical order, and each name is followed by the position to which he or she has been appointed. The names are as follows:

3. The third part of the document is a list of the names of the persons who have been appointed to the various positions of the Board of Directors of the Corporation. The names are listed in alphabetical order, and each name is followed by the position to which he or she has been appointed. The names are as follows:

FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE,

ATTEST:
IMPERIAL OIL COMPANY

DATE 4-27-77 Mary Ann Mauk Ellis Rudy
Secretary- President
Treasurer

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR
COUNTY, _____

THE STATE OF TEXAS
COUNTY OF HARRIS

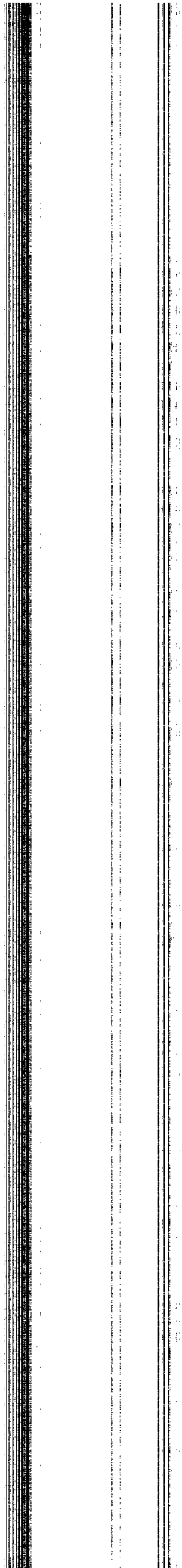
CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Ellis Rudy, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS President OF Imperial Oil Company, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID corporation AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 27th DAY OF April, A.D. 19 77

My commission expires:

1/27/79

Charlene Ingram
Charlene Ingram NOTARY PUBLIC IN AND FOR
Harris County, Texas



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'"; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE _____

DATE 4/18/77

JAMES Petroleum Trust

by David F. James Trustee

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF Oklahoma
COUNTY OF Tulsa

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED David F. James, Trustee, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 18 DAY OF April, A.D. 19 77.

My Com. Expires: 2/25/80

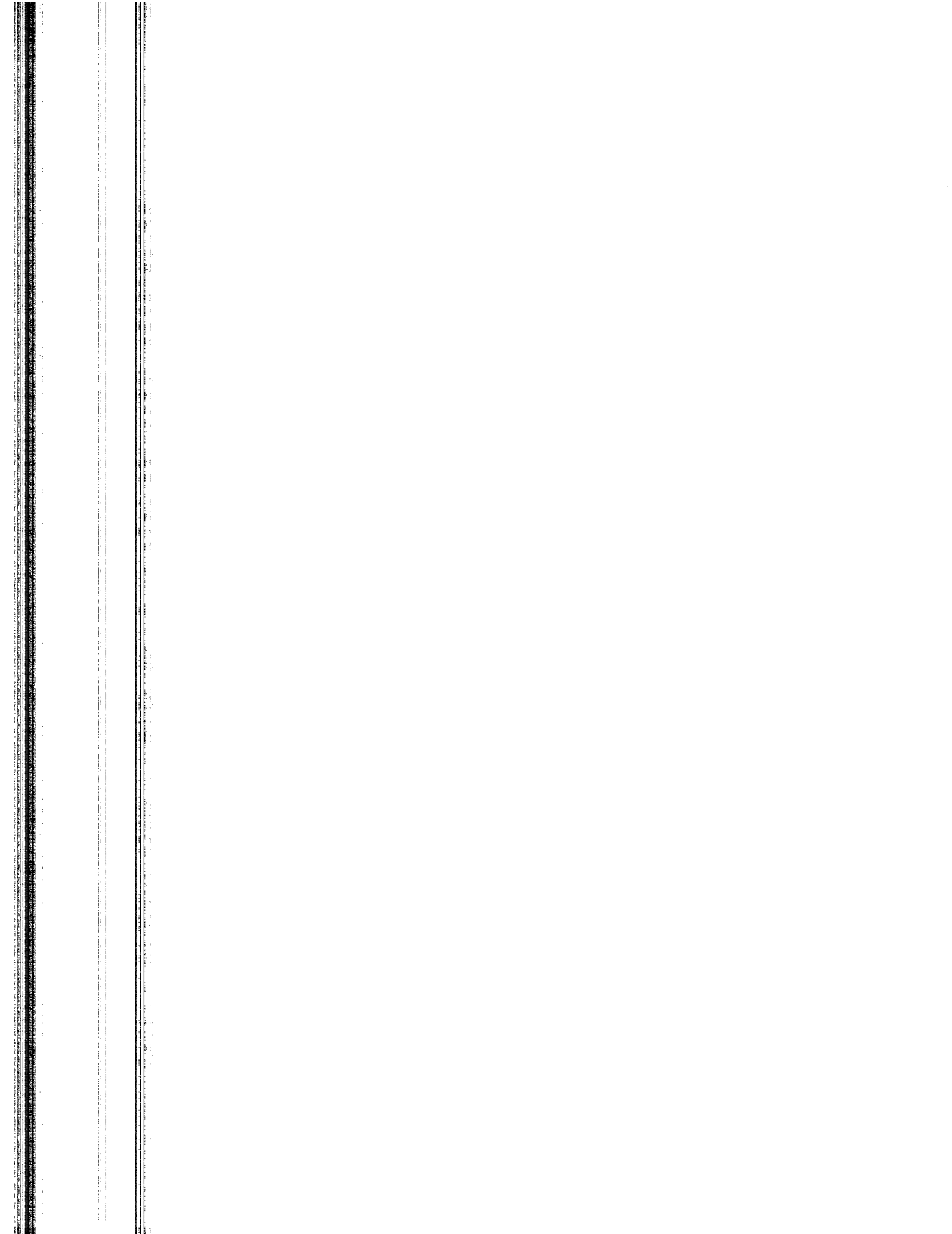
Sam L. Kanary
NOTARY PUBLIC IN AND FOR
____ COUNTY, State of Oklahoma

THE STATE OF _____
COUNTY OF _____

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR
____ COUNTY, _____



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'"; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE ATTEST: April 22, 1977

DATE Leshia W. Roberts, Secretary

William B. Watson
President of LASCA, INC.

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

THE STATE OF Texas
COUNTY OF Tarrant

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED William B. Watson, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS President OF Lasca, Inc., AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID Lasca, Inc. AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 22 DAY OF April, A.D. 19 77.

Margaret Johnson
NOTARY PUBLIC IN AND FOR
Tarrant County, Texas



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE

4-18-1977

Pat Murphy

DATE

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF

New Mexico

COUNTY OF

LINCOLN

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Pat Murphy, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 18th DAY OF April, A.D. 19 78.

My Commission Expires,
December 12, 1978.

NOTARY PUBLIC IN AND FOR
COUNTY, _____

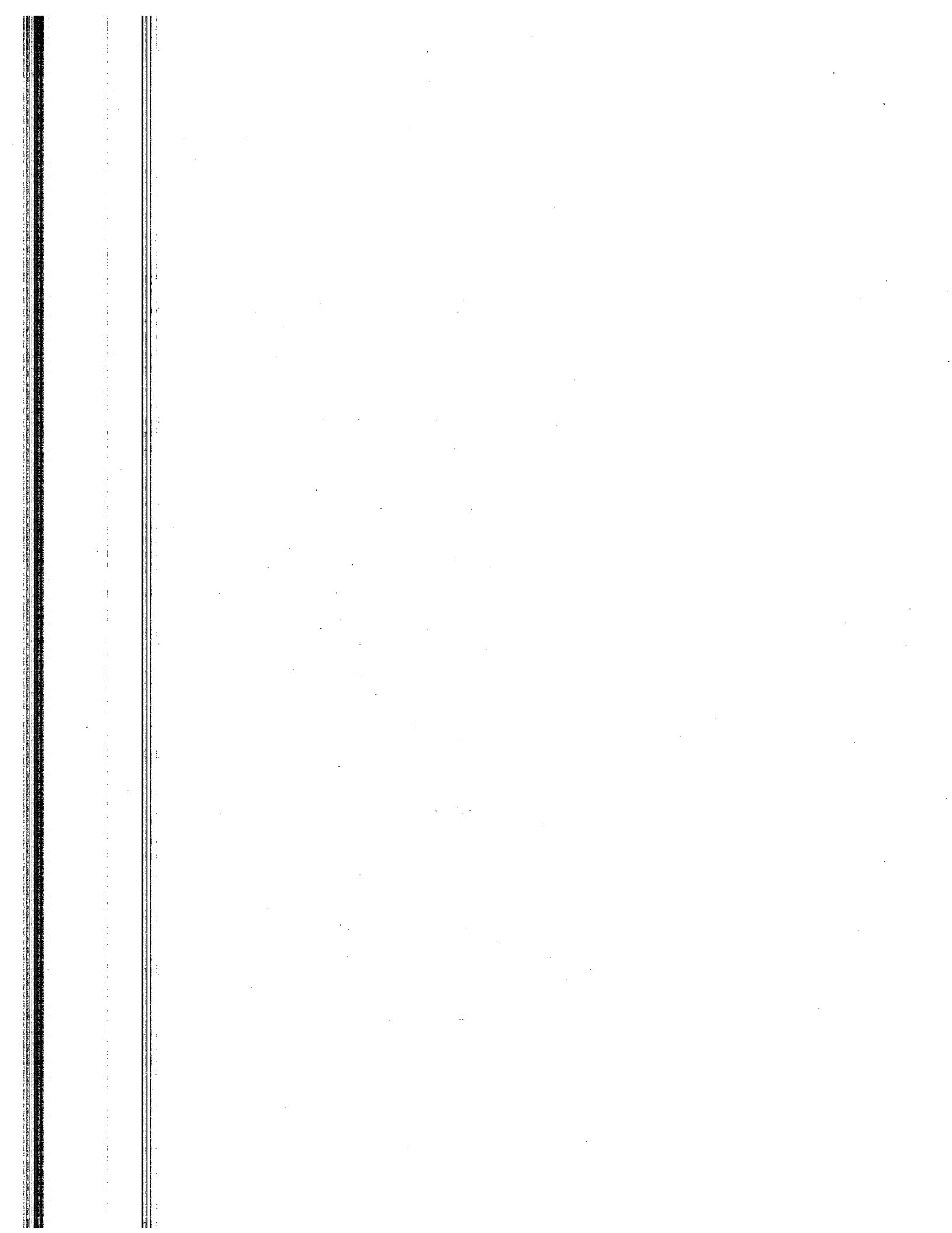
CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____

COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR
COUNTY, _____



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE 4-26-77

Estate of E.A. Obering, deceased

Helen Bailey Obering
By: Helen Bailey Obering, Executrix

DATE _____

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF OKLAHOMA
COUNTY OF OKLAHOMA

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Helen Bailey Obering, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE, EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 26th DAY OF April, A.D. 19 77.

William M. Wallace
NOTARY PUBLIC IN AND FOR
OKLAHOMA COUNTY, OKLAHOMA

CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

1. The first part of the document is a list of the names of the persons who have been appointed to the various positions of the Board of Directors of the Corporation.

2. The second part of the document is a list of the names of the persons who have been appointed to the various positions of the Board of Directors of the Corporation.

FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

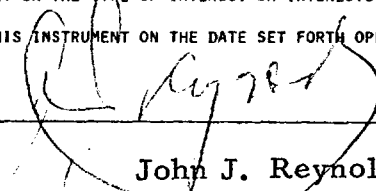
WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.



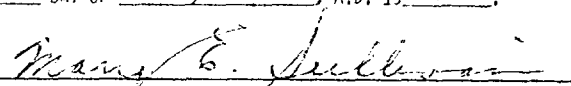
John J. Reynolds 13-6094614

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF New York
COUNTY OF New York

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED John J. Reynolds, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 6th DAY OF May, A.D. 1977.

MARY E. SULLIVAN
Notary Public, State of New York
No. 31-0216325
Qualified in New York County
Commission Expires March 30, 1978



NOTARY PUBLIC IN AND FOR
New York County, New York

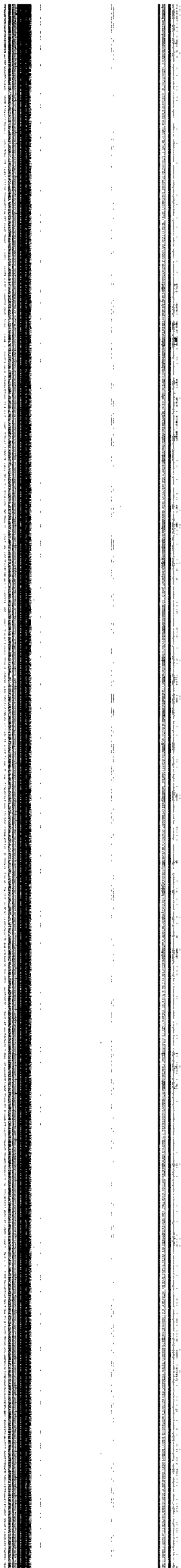
CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'"; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 179, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

Estate of C.E. Rollins
by *Fred C. Rollins "Executor"*

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF TEXAS
COUNTY OF EL PASO

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED FRED C. ROLLINS, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 2nd DAY OF June, A.D. 1977.

B. Lillard
NOTARY PUBLIC IN AND FOR
EL PASO COUNTY, TEXAS

CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

1. The first part of the document is a list of names and addresses of the members of the committee who have been appointed to investigate the matter.

2.

FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE

Paul G. Smittle
Paul G. Smittle, Asst. Secretary

DATE

April 27, 1977

A. J. Shoup, Jr.
A. J. Shoup, Jr., Vice President

April 27, 1977

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19____.

NOTARY PUBLIC IN AND FOR
COUNTY, _____

THE STATE OF Texas
COUNTY OF Dallas

CORPORATE AND TRUST ACKNOWLEDGMENT

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED A. J. Shoup, Jr. Vice President OF Sabine Production Company, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS Corporation, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID Corporation AND IN THE CAPACITY THEREIN STATED. GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 27 DAY OF April, A.D. 19 77.

Bobbie Freeman
Bobbie Freeman

NOTARY PUBLIC IN AND FOR
Dallas COUNTY, Texas
My Commission expires June 1, 1977

1. The first part of the document is a list of names and addresses of the members of the committee.

FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE April 18, 1977

Arthur W. Merrill

DATE April 18, 1977

Rose Merrill

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF Florida
COUNTY OF Duval

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Arthur and Rose Merrill, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 18th DAY OF April, A.D. 1977.

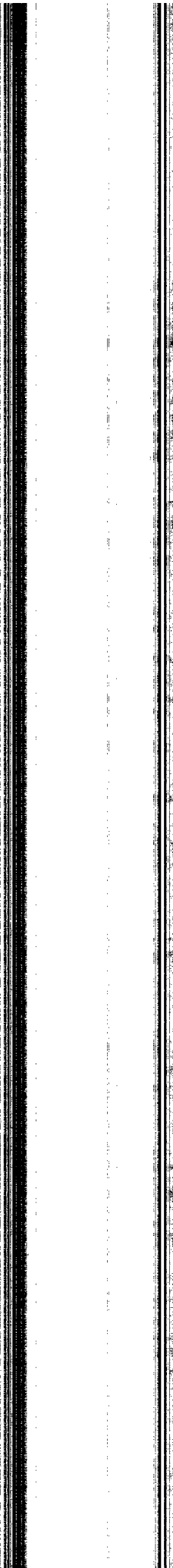
John H. Hendry
NOTARY PUBLIC IN AND FOR
NOTARY PUBLIC, State of Florida at Large
My Commission Expires July 29, 1977
Bonded by AUTO OWNERS INSURANCE

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED.
GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____



FIRST ENLARGEMENT
RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS THE UNDERSIGNED OWNER OF ROYALTY INTEREST HEREBY ACKNOWLEDGES RECEIPT OF THAT CERTAIN INSTRUMENT ENTITLED "UNIT AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," DATED MAY 1, 1974, RECORDED IN VOLUME 322, PAGES 362-406, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO, HEREINAFTER REFERRED TO AS THE UNIT AGREEMENT; A "CERTIFICATE OF EFFECTIVENESS FOR UNIT AGREEMENT AND FIRST REVISION OF EXHIBITS 'A,' 'B,' AND 'C'"; ATTACHED THERETO AND RECORDED IN VOLUME 324, PAGES 435-436, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; A "CERTIFICATE OF EFFECTIVENESS FOR FIRST REVISION OF EXHIBIT 'A' AND SECOND REVISION OF EXHIBITS 'B' AND 'C' ATTACHED TO UNIT AGREEMENT" AND RECORDED IN VOLUME 325, PAGE 129, OF THE MISCELLANEOUS RECORDS OF LEA COUNTY, NEW MEXICO; AND A COPY OF SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND THE UNDERSIGNED OWNER OF WORKING INTEREST HEREBY ACKNOWLEDGES RECEIPT OF SAID UNIT AGREEMENT, A COPY OF "UNIT OPERATING AGREEMENT, SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO," HEREINAFTER REFERRED TO AS UNIT OPERATING AGREEMENT, COPIES OF SAID CERTIFICATES OF EFFECTIVENESS, AND COPIES OF SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C"; AND

WHEREAS SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" TO SAID UNIT AGREEMENT IDENTIFY TRACTS NOS. 6, 7, 23, AND 24 WHICH MAY BE INCLUDED IN THE UNIT AREA COVERED BY SAID UNIT AGREEMENT AS A RESULT OF THE ENLARGEMENT OF THE UNIT AREA, DEPENDING UPON WHETHER SUCH TRACTS QUALIFY FOR INCLUSION THEREIN AS PROVIDED IN ARTICLE 12 OF SAID UNIT AGREEMENT, AND SAID SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" ALSO IDENTIFY ALL OF THE TRACTS IN THE EXISTING UNIT AREA; AND

WHEREAS EACH OF THE UNDERSIGNED REPRESENTS THAT IT IS AN OWNER OF A ROYALTY INTEREST, OR WORKING INTEREST OR INTERESTS, AS THOSE TERMS ARE DEFINED IN SAID UNIT AGREEMENT IN ONE OR MORE OF TRACTS 6, 7, 23, OR 24 AS IDENTIFIED BY SAID EXHIBITS; AND

WHEREAS, THE UNDERSIGNED OWNER OF A ROYALTY INTEREST, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C" AND THE UNDERSIGNED OWNER OF A WORKING INTEREST OR BOTH ROYALTY AND WORKING INTERESTS, BEING FAMILIAR WITH THE CONTENTS THEREOF, DESIRES TO RATIFY AND CONFIRM SAID UNIT AGREEMENT, SAID UNIT OPERATING AGREEMENT, AND SECOND REVISION OF EXHIBIT "A" AND THIRD REVISIONS OF EXHIBITS "B" AND "C";

NOW THEREFORE, EACH OF THE UNDERSIGNED DOES HEREBY RATIFY AND CONFIRM SAID UNIT AGREEMENT AND SAID REVISED EXHIBITS OR SAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT AND REVISED EXHIBITS DEPENDENT ON THE TYPE OF INTEREST OR INTERESTS OWNED.

IN WITNESS WHEREOF, EACH OF THE UNDERSIGNED PARTIES HAVE EXECUTED THIS INSTRUMENT ON THE DATE SET FORTH OPPOSITE ITS SIGNATURE.

DATE 4-21-77

Mrs. Elaine M. Walker

DATE _____

INDIVIDUAL AND MARRIED-PERSONS' ACKNOWLEDGMENT

THE STATE OF Texas
COUNTY OF Tarrant

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED Mrs. Elaine M. Walker, KNOWN TO ME TO BE THE PERSON(S) WHOSE NAME(S) IS (ARE) SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT SHE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE 21st DAY OF April, A.D. 19 77.

Virginia L. Ricks
NOTARY PUBLIC IN AND FOR
Tarrant COUNTY, Texas

CORPORATE AND TRUST ACKNOWLEDGMENT

THE STATE OF _____
COUNTY OF _____

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED _____, KNOWN TO ME TO BE THE PERSON WHO EXECUTED THE FOREGOING INSTRUMENT AS _____ OF _____, AND ACKNOWLEDGED TO ME THAT HE EXECUTED THE SAME FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AS THE ACT AND DEED OF SAID _____ AND IN THE CAPACITY THEREIN STATED, GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS THE _____ DAY OF _____, A.D. 19 _____.

NOTARY PUBLIC IN AND FOR

COUNTY, _____

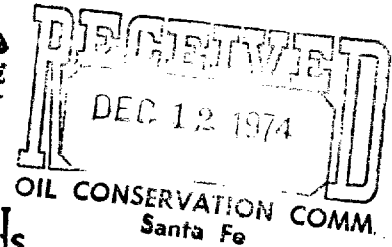
State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

December 11, 1974



ALEX J. ARMIJO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO

Amoco Production Company
500 Jefferson Building
P. O. Box 3092
Houston, Texas 77001

5371

Re: South Hobbs (Grayburg-San Andres) Unit
Lea County, New Mexico

ATTENTION: Mr. Bruce A. Landis, Jr.

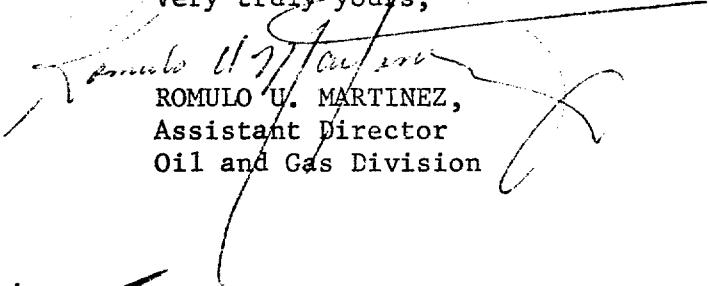
Gentlemen:

The Commissioner of Public Lands has this date approved your South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico. The effective date to be as of January 1, 1975.

Enclosed are eight (8) Certificates of approval.

Please submit your Initial Plan of Operation as well as the designation of well names and numbers, also, revised Exhibits showing all the Working Interest Owners as well as commitment of the tracts which you expect to qualify by January 1, 1975.

Very truly yours,


ROMULO U. MARTINEZ,
Assistant Director
Oil and Gas Division

AJA/RUM/s
encls.
cc:

OCC- Santa Fe, New Mexico ✓

1. The first part of the document is a list of names and addresses of the members of the committee who have been appointed to investigate the matter.



Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

Bruce A. Landis, Jr.
Division Unitization
Superintendent



January 20, 1975

File: BAL-416-293

Re: South Hobbs (Grayburg-San Andres) Unit
Lea County, New Mexico

Mr. I. R. Trujillo, Chairman
State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Trujillo:

In compliance with Order No. R-4924, Case 5371, specifically paragraph 3, second part of the order, attached are an executed original of the Unit Agreement and Certificate of Effectiveness for the South Hobbs (Grayburg-San Andres) Unit.

The Unit with Amoco Production Company as Operator became effective January 1, 1975.

Yours very truly,

BRF/jh
5/576

Attachment

CERTIFICATE OF EFFECTIVENESS
FOR
UNIT AGREEMENT AND FIRST REVISION OF
EXHIBITS "A", "B" AND "C" ATTACHED TO
UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

STATE OF NEW MEXICO §
COUNTY OF LEA §

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Amoco Production Company has been designated as Unit Operator of the South Hobbs (Grayburg-San Andres) Unit pursuant to the agreement entitled "Unit Agreement, South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico," dated the first day of May, 1974, hereinafter referred to as "Unit Agreement"; and

WHEREAS, Article 17 of the Unit Agreement provides the manner of determining when the agreement shall become effective and for filing of record in Lea County, New Mexico, a certificate by Unit Operator setting forth the facts in this regard.

NOW, THEREFORE, Amoco Production Company, as Unit Operator, hereby certifies as follows:

1. Tracts representing 100% of the Unit Area as described in the First Revision to Exhibit B and depicted on the First Revision to Exhibit C to the Unit Agreement have qualified for inclusion in the Unit Area pursuant to the provisions of Article 9 of the Unit Agreement.
2. The Unit Agreement was approved by the Oil Conservation Commission of the State of New Mexico on December 3, 1974, Case No. 5371, Order No. R-4924, and the New Mexico State Land Office, Commissioner of Public Lands, on December 11, 1974.
3. A counterpart of the Unit Agreement was filed for record on December 12, 1974, and was recorded on December 12, 1974, in the Deed Records of Lea County, New Mexico, in Volume 322, Page 362-406.

4. That it has, in compliance with the provisions of Article 2, and Article 9 of the Unit Agreement, revised Exhibits "A", "B" and "C" to the Unit Agreement, and that true and correct copies of said Exhibits "A", "B" and "C", as so revised, are attached hereto and made by reference a part hereof.

5. That the Unit Agreement became effective on January 1, 1975, at 7:00 a.m., and said Revised Exhibits "A", "B" and "C" attached hereto are effective as of the effective date of the Unit Agreement.

IN WITNESS WHEREOF, AMOCO PRODUCTION COMPANY, acting in its capacity as Unit Operator, has on this 15th day of January, 1975, executed this instrument.

AMOCO PRODUCTION COMPANY

By John W. Phenicie APPROVED
BQ BQ
Its Attorney-in-Fact

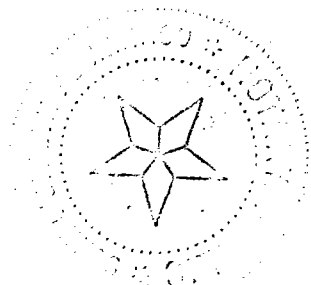
THE STATE OF TEXAS |

COUNTY OF HARRIS |

BEFORE ME, the undersigned authority, on this day personally appeared JOHN W. PHENICIE, known to me to be the person whose name is subscribed to the foregoing instrument as Attorney-in-Fact for Amoco Production Company, a corporation, and acknowledged to me that he executed the same as the act of such corporation, for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 15th day of January, 1975.

Dorothy E. Middleton
Notary Public in and for
Harris County, Texas



DOROTHY E. MIDDLETON
Notary Public in and for Harris County, Texas
My Commission Expires 6-1-75

FIRST REVISION
EXHIBIT "B"

TO
UNIT AGREEMENT

SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE
AND KIND OF OWNERSHIP OF ALL LANDS WITHIN THE
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
<u>T-18-S, R-38-E</u>							
1	SE/4 SE/4 Sec. 33	40.00	A-1212-1 10-18-28	State-A11	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-38-E</u>							
2	NW/4, E/2 SW/4, SE/4, Sec. 4 SW/4 Sec. 5 E/2 NW/4, NE/4 Sec. 9 W/2 NW/4, S/2 SW/4 Sec. 10 N/2 NW/4, SW/4 NW/4 Sec. 15	1,079.84	A-1212-1 10-18-28	State-A11	Amoco Production Company	Amoco Production Company-.09261%	Amoco Production Company-100%
3	N/2 SE/4 Sec. 8	80.00	A-1469-2 12-18-28	State-A11	Amerada Hess Corporation	None	Amoco Production Company-100%
4	NW/4 Sec. 6	157.32	A-1646-9 1-11-29	State-A11	Robert M. Taubman	None	Amoco Production Company-37.71751% Landreth Interests -12.28249% J. H. Morris Agent-50.00000%
5	N/2 NE/4, SE/4 NE/4 Sec. 6	117.32	A-1646-5 1-11-29	State-A11	Atlantic Richfield Company	None	Atlantic Richfield Company-100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
10	NE/4 NE/4 Sec. 16	40.00	E-8432-2 8-17-54	State-A11	Moranco (Moran Oil Producing & Drilling Corporation)	None	J. N. Dunlavy-6.25% First Roswell Co.-6.25% George P. Laflin-6.25% K. D. McPeters-6.25% R. M. Moran-40.625% Moranco-15.625% P. A. Wardlaw-6.25% Lloyd Whitely-6.25% A. T. Williamson-6.25%

Six (6) State Tracts totaling 1,514.48 acres consisting of 33.26 percent of the Unit Area.

<u>T-18-S, R-38-E</u>							
11	NW/4 NW/4 Sec. 34	40.00	Fee-HBP	Marshall and Winston Inc. -12.50%*	Amoco Production Company	None	Amoco Production Company-100%
12	SW/4 NW/4 Sec. 34	40.00	Fee-HBP	Atlantic Richfield Company -9.37504%*	Amoco Production Company	None	Amoco Production Company-100%
15	SW/4 Sec. 34	160.00	Fee-HBP	Bonnie R. Etz -12.5%*	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-38-E</u>							
16	NW/4 Sec. 5	159.78	Fee-HBP	J.M.R. Lyeth, Jr. & M.L. Lyeth -14.06248%	Amoco Production Company	None	Amoco Production Company-100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
17	NE/4 Sec. 5	159.82	Fee-HBP	J.M.R. Lyeth, Jr. & M.L. Lyeth -14.06248*	Sun Oil Company	None	Sun Oil Company-100%
18	NE/4 Sec. 4	159.82	Fee-HBP	Minnie Byers Life Est. -20.83336*	Amoco Production Company	None	Amoco Production Company-100%
19	NW/4 Sec. 3	159.88	Fee-HBP	Minnie Byers Life Est. -20.8332*	Amoco Production Company	None	Amoco Production Company
20	NE/4 Sec. 3	159.96	Fee-HBP	Minnie Byers Life Est. -20.83360*	Samedan Oil Corporation	Continental Oil Company -3.12500%	Samedan Oil Corporation -87.125%; John Patrick Cusack Estate-8.500%; J. P. Cusack, Jr.-2.000%; M. F. Cusack-2.000%; Sea Properties Ltd.-.375%
21	S/2 Sec. 3	320.00	Fee-HBP	C. F. Bedford -10.5*	Amoco Production Company	None	Amoco Production Company-100%
22	W/2 SW/4 Sec. 4 E/2 SE/4 Sec. 5	160.00	Fee-HBP	Cities Service Oil Company 16.66664*	Texaco, Inc.	None	Texaco, Inc.-100%
25	NE/4 NE/4 Sec. 8	40.00	Fee-HBP	Ora B. Terry -37.50*	Albert Gackle, Operator	Amoco Production Company-5.46875%	Albert Gackle, Operator-16.66667% Margaret Clay-7.08332% Rufus G. Clay Trusts 1, 2 and 3-7.08332%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
26	SE/4 NE/4 Sec. 8	40.00	Fee-HBP	Ora B. Terry -37.50%*	Minerals, Inc.	Amoco Production Company-6.25000%*	W. J. & Ellen H. Clay Trusts-14.16668%; Management Trust Co.- 5.00000% Adelaide Dwight - 16.66667% Est. of James H. Snowden - 16.66667% James M. Snowden - 16.66667%
27	NW/4 NW/4 Sec. 9	40.00	Fee-HBP	Atlantic Rich- field Company -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
28	SW/4 NW/4 Sec. 9	40.00	Fee-HBP	Atlantic Rich- field Company -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
29	E/2 NW/4 Sec. 10	80.00	Fee-HBP	Atlantic Rich- field Company -37.50%*	Amoco Production Company	None	Amoco Production Company-100%
30	N/2 NE/4 Sec. 10	80.00	Fee-HBP	Bessie Dunnam -8.33336%*	Amoco Production Company	None	Amoco Production Company-100%
31	S/2 NE/4 Sec. 10	80.00	Fee-HBP	Elliott Oil Company-25.00%*	Amoco Production Company	None	Amoco Production Company-100%
32	N/2 SE/4 Sec. 10	80.00	Fee-HBP	Elliott Oil Company-25.00%*	Shell Oil Company	None	Shell Oil Company -100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
33	N/2 SW/4 Sec. 10	80.00	Fee-HBP	Atlantic Richfield Company -12.5%*	Amoco Production Company	None	Amoco Production Company-100%
34	S/2 SE/4 Sec. 10	80.00	Fee-HBP	Ora B. Terry -25.00%*	R. L. Summers	None	R. L. Summers - 66.66667% Margaret M. McPherson - 16.66667% R. L. McPherson - 8.33333% Colleen M. Wallace - 8.33333%
35	N/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.66664%*	Amoco Production Company	None	Amoco Production Company-100%
36	N/2 SW/4 Sec. 9	80.00	Fee-HBP	Atlantic Richfield Company -25.00%*	Moranco (Moran Oil Prod. and Drilling Corp.)	Amoco Production Company-6.35%	Moranco-100%
37	S/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.66664%*	Amoco Production Company	None	Amoco Production Company-100%
38	NW/4 NE/4 Sec. 15	40.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company	None	Atlantic Richfield Company-100%
39	NE/4 NE/4 Sec. 15	40.00	Fee-HBP	Elaine M. Walker -25.00%*	McPherson Operating Account	Atlantic Richfield Company -12.50%	Margaret M. McPherson-50% R. L. McPherson-25% Colleen M. Wallace-25%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
40	S/2 NE/4 Sec. 15	80.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company	None	Atlantic-Richfield Company-100%
41	SE/4 NW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
42	NE/4 SW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
43	NW/4 SW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -24.00004%*	Texaco, Inc.	None	Amoco Production Company-6.28742% Jane C. Harris-.93148% William J. Harris-.93148% J. B. Umpleby Est.-1.39720% Texaco, Inc.-17.56487% Helen Avara-4.19162% Ila Crawford, Indv. & Extx. J.P. Crawford Est 2.79439%
44	S/2 SW/4 Sec. 15	80.00	Fee-HBP	U V Industries -21.33725%*	Texaco, Inc.	None	Mary L. Dunbar-4.19162% Joanne Grieb-25.14969% Dalco Oil Co.-12.57485% Christine Johnson-4.19163% Loma Inc.-6.28742% Margaret H. Long-.93148% Moore Trust-12.57485% Texaco, Inc.-95.32163% Amoco Production Company-4.67837%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
45	NW/4 SE/4 Sec. 15	40.00	Fee-HBP	Texas International Petroleum Corporation -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
46	NE/4 SE/4 Sec. 15	40.00	Fee-HBP	Texas International Petroleum Corporation -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
47	SE/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
48	SW/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
49	SW/4 SW/4 Sec. 11	40.00	Fee-HBP	Cecil P. Bordages III -21.87504%*	Amoco Production Company	None	Amoco Production Company-80.04686% Ollivia W. & George Etz-6.25000% Buttram Texhoma Company-5.10938% Lawson Petroleum Company-3.12500% Unleased-5.46876%
50	W/2 NW/4 Sec. 14	80.00	Fee-HBP	Atlantic Richfield Company -25.00000%* Texas International Petroleum Co. -25.00000%*	Amoco Production Company	None	Amoco Production Company-46.52777% Atlantic Richfield Company-25.00000% Tenneco Oil Company 12.50000% Hugh Corrigan III -6.25000% David E. Goodrich- -.34722% Unleased - 9.37501%

Thirty Six (36) Fee Tracts totaling 3,039.26 acres consisting of 66.74 percent of the Unit Area.

RECAPITULATION OF NUMBER OF ACRES

State Lands	1,514.48 acres	33.26 percent
Fee Lands	<u>3,039.26 acres</u>	<u>66.74 percent</u>
	<u>4,553.74 acres</u>	<u>100.00 percent</u>

- * Largest Royalty Interest Owner only is shown except where one or more owners have identical interests. Complete royalty ownership will be furnished upon request.

FIRST REVISION
EXHIBIT "B"

TO

UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

S U M M A R Y

Working Interest Owner	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Amoco Production Company	1	2.35734	1.75687	2.23037
	2	28.53746	27.46222	32.53720
	3	.00000	.11477	.00693
	4	.57887	.65074	.27803
	11	2.91350	2.06713	2.28083
	12	2.27139	1.80156	2.68753
	15	8.03200	6.60214	8.38751
	16	7.97114	6.29490	5.83904
	18	6.51548	5.93120	8.83177
	19	4.70851	4.56372	4.85148
	21	7.63947	7.44620	6.90748
	27	.30938	.62382	.55291
	28	.15896	.33646	.25158
	29	1.00043	1.51197	2.75590
	30	1.37567	1.39522	.81398
	31	2.73237	2.11071	1.14919
	33	1.02706	1.47531	1.48385
	35	.53288	1.10219	.74051
	37	.36659	.75818	.27670
	41	.24256	.53779	.28946
	42	.18658	.35953	.35321
	43	.00000	.01456	.00368
	44	.00856	.02644	.00901
	49	.00000	.06011	.01677
	50	.00000	.08678	.00471
		<u>79.46620</u>	<u>75.09052</u>	<u>83.53963</u>

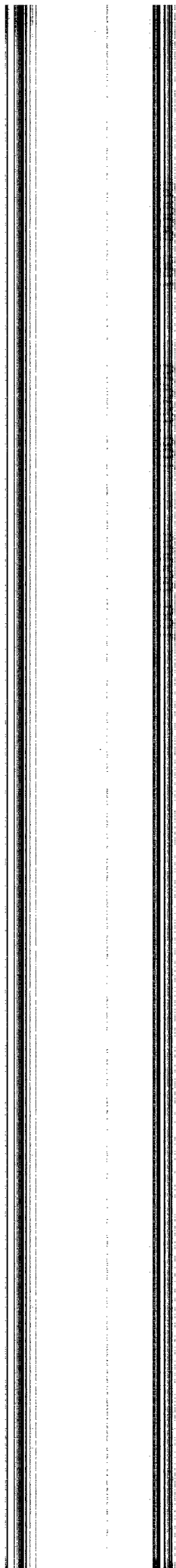
Working Interest Owner Tract Numbers Unit Participation - %

<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
<u>Atlantic Richfield Company</u>		
4.10529	2.41225	1.05170
.00000	.54821	.32440
.00000	.63502	.28815
.00000	.04663	.00253
4.10529	4.64822	1.86981
W. G. Abbott	.02998	.06652
Acadia Corporation	.01333	.02957
Buttram Texhoma Company	.00000	.00383
R. G. Clay Trusts 1, 2 and 3	.01329	.02788
Margaret B. Clay	.01329	.02788
W. J. Clay Estate	.02657	.05576
Hugh Corrigan III	.00000	.01166
John Patrick Cusack Estate	.12027	.20679
John P. Cusack, Jr.	.02830	.04865
Michael F. Cusack	.02830	.04866
J. N. Dunlavey	.00566	.01780
Adelaide F. Dwight	.03126	.06560
Olivia W. and George Etz	.00000	.00469
First Roswell Company	.00566	.01779

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Albert Gackle, Operator	25	.03126	.06561	.05090
Jane C. Harris	43	.00000	.00216	.00055
William J. Harris	43	.00000	.00216	.00054
George P. Laflin	10	.00566	.01779	.00313
Landreth Interests	40	.18850	.21191	.09054
Lawson Petroleum Company	49	.00000	.00235	.00065
Lea Investors, Inc.	36	.01999	.04435	.01593
Management Trust Company	25	.00938	.01968	.01527
J. B. Umpleby Estate	43	.00000	.00324	.00082
J. S. McGannon	36	.00999	.02217	.00796
K. D. McPeters	10	.00565	.01779	.00313
	36	<u>.00999</u>	<u>.02217</u>	<u>.00797</u>
		<u>.01564</u>	<u>.03996</u>	<u>.01110</u>
R. L. McPherson	34	.10308	.13348	.07693
	39	<u>.07443</u>	<u>.10441</u>	<u>.06677</u>
		<u>.17751</u>	<u>.23789</u>	<u>.14370</u>
Margaret M. McPherson	34	.20615	.26697	.15385
	39	<u>.14885</u>	<u>.20883</u>	<u>.13355</u>
		<u>.35500</u>	<u>.47580</u>	<u>.28740</u>
Minerals, Inc.	26	.30329	.41782	.22016
R. M. Moran	10	.03675	.11565	.02033
	36	<u>.05996</u>	<u>.13305</u>	<u>.04779</u>
		<u>.09671</u>	<u>.24870</u>	<u>.06812</u>
Moranco	10	.01414	.04448	.00782
	36	<u>.05330</u>	<u>.11827</u>	<u>.04248</u>
		<u>.06744</u>	<u>.16275</u>	<u>.05030</u>

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
J. H. Morris, as Agent	40	.76738	.86264	.36857
Sumner Oil Corporation	20	1.23289	2.11958	1.10588
Sea Properties, Ltd.	20	.00531	.00912	.00475
Shell Oil Company	32	.85113	1.25799	1.12559
James M. Snowden	25	.03127	.06561	.05090
James H. Snowden Estate	25	.03127	.06561	.05090
R. L. Summers	34	.82462	1.06785	.61542
Sun Oil Company	17	5.20009	5.23677	5.73123
Tenneco Oil Company	50	.00000	.02331	.00126
Texaco, Inc.	22	4.92476	4.47148	3.46042
	43	.00000	.04068	.01026
	44	.17437	.53864	.18365
	45	.47149	.62204	.26894
	46	.05333	.27120	.02863
	47	.00000	.12935	.00408
	48	.00000	.23439	.02205
		<u>5.62395</u>	<u>6.30778</u>	<u>3.97803</u>
Colleen M. Wallace	34	.10308	.13348	.07693
	39	.07443	.10442	.06678
		<u>.17751</u>	<u>.23790</u>	<u>.14371</u>
P. A. Wardlaw	10	.00565	.01779	.00313
	36	.00999	.02218	.00797
		<u>.01564</u>	<u>.03997</u>	<u>.01110</u>
Western Reserves Oil Company	36	.02998	.06653	.02390

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Lloyd Whitley	10	.00565	.01779	.00313
	36	.01999	.04435	.01593
		<u>.02564</u>	<u>.06214</u>	<u>.01906</u>
A. T. Williamson	10	.00565	.01779	.00313
	36	.00999	.02218	.00797
		<u>.01564</u>	<u>.03997</u>	<u>.01110</u>
Helen Avara	43	.00000	.00971	.00245
Ila Crawford, Individually and Executrix of J. P. Crawford Estate	43	.00000	.00647	.00163
Mary L. Dunbar	43	.00000	.00971	.00245
David E. Goodrich	50	.00000	.00065	.00004
Joanne Grieb	43	.00000	.05825	.01470
Dalco Oil Company	43	.00000	.02913	.00735
Christine Johnson	43	.00000	.00971	.00245
Loma, Inc.	43	.00000	.01456	.00367
Margaret H. Long	43	.00000	.00216	.00054
Moore Trust	43	.00000	.02913	.00735
Unleased	49	.00000	.00411	.00115
	50	.00000	.01748	.00095
		<u>0.00000</u>	<u>.02159</u>	<u>.00210</u>
TOTAL		<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>



FIRST REVISION
EXHIBIT "C"
TO
UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	Tract Participation - %		
		Phase I	Phase II	Phase III
<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>				
1	Section 33: SE/4 SE/4	2.35734	1.75687	2.23037
<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>				
2	Section 4: NW/4, E/2 SW/4, SE/4 Section 5: SW/4 Section 9: E/2 NW/4, NE/4 Section 10: W/2 NW/4, S/2 SW/4 Section 15: N/2 NW/4, SW/4 NW/4	28.53746	27.46222	32.53720
3	Section 8: N/2 SE/4	.00000	.11477	.00693
4	Section 6: NW/4	1.53475	1.72529	.73714
5	Section 6: N/2 NE/4, SE/4 NE/4	4.10529	3.41836	1.25473
10	Section 16: NE/4 NE/4	.09047	.28467	.05006
<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>				
11	Section 34: NW/4 NW/4	2.91350	2.06713	2.28083
12	Section 34: SW/4 NW/4	2.27139	1.80156	2.68753
15	Section 34 SW/4	8.03200	6.60214	8.38751
<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>				
16	Section 5 NW/4	7.97114	6.29490	5.83904
17	Section 5 NE/4	5.20009	5.23677	5.73123
18	Section 4 NE/4	6.51548	5.93120	8.83177
19	Section 3 NW/4	4.70851	4.56372	4.85148
20	Section 3 NE/4	1.41498	2.43280	1.26678

Tract No.	Description	Tract Participation - %			
		Phase I	Phase II	Phase III	
TOWNSHIP 19 SOUTH, RANGE 38 EAST					
21	Section 3	S/2	7.63947	7.44620	6.90748
22	Section 5	E/2 SE/4	4.92476	4.47148	3.46042
23	Section 8	NE/4 NE/4	.18759	.39363	.30539
24	Section 8	SE/4 NE/4	.30329	.41782	.22016
25	Section 9	SW/4 NW/4	.30938	.62382	.55291
26	Section 9	SW/4 NW/4	.15896	.33646	.25158
27	Section 10	E/2 NW/4	1.00043	1.51197	2.75590
30	Section 10	N/2 NE/4	1.37567	1.39522	.81398
31	Section 10	S/2 NE/4	2.73237	2.11071	1.14919
32	Section 10	N/2 SE/4	.85113	1.25799	1.12559
33	Section 10	N/2 SW/4	1.02706	1.47531	1.48385
34	Section 10	S/2 SE/4	1.23693	1.60178	.92313
35	Section 9	N/2 SE/4	.53288	1.10219	.74051
36	Section 9	N/2 SW/4	.26649	.59134	.21242
37	Section 9	S/2 SE/4	.36659	.75818	.27670
38	Section 15	NW/4 NE/4	.00000	.54821	.32440
39	Section 15	NE/4 NE/4	.29771	.41766	.26710
40	Section 15	S/2 NE/4	.00000	.63502	.28815
41	Section 15	SE/4 NW/4	.24256	.53779	.28946
42	Section 15	NE/4 SW/4	.18658	.35953	.35321
43	Section 15	NW/4 SW/4	.00000	.23163	.05844
44	Section 15	NW/4 SE/4	.18293	.56508	.19266
45	Section 15	NW/4 SE/4	.47149	.62204	.26894
46	Section 15	NE/4 SE/4	.05333	.27120	.02863

Tract No.	Description	Tract Participation - %			
		Phase I	Phase II	Phase III	
<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>					
47	Section 15	SE/4 SE/4	.00000	.12935	.00408
48	Section 15	SW/4 SE/4	.00000	.23439	.02205
49	Section 11	SE/4 SW/4	.00000	.07509	.02095
50	Section 14	W/2 NW/4	<u>.00000</u>	<u>.18651</u>	<u>.01012</u>
			100.00000%	100.00000%	100.00000%

RMA/jw
360-219
(LR)

[illegible]



5311

Amoco Production Company

500 Jefferson Building
P.O. Box 3092
Houston, Texas 77001

Bruce A. Landis, Jr.
Division Unitization
Superintendent

March 3, 1975

File: BAL-416-826

Re: South Hobbs (Grayburg-San Andres) Unit
Lea County, New Mexico

Mr. I. R. Trujillo, Chairman
State of New Mexico
Oil Conservation Commission
Santa Fe, NM

Dear Mr. Trujillo:

Reference is made to our letter dated January 20, 1975, File: BAL-416-293, transmitting in compliance with Order No. R-4924 the Unit Agreement with First Revision to Exhibit "A," "B," and "C," and the Certificate of Effectiveness for the subject unit which became effective January 1, 1975.

Attached are First Revision to Exhibit "A" and Second Revision to Exhibits "B" and "C" to Unit Agreement, along with Certificate of Effectiveness dated February 24, 1975; all instruments are now being filed for record in Lea County, New Mexico.

Yours very truly,

BRF:db
1/2194

Attachments

CERTIFICATE OF EFFECTIVENESS
FOR
FIRST REVISION OF EXHIBIT "A"
AND SECOND REVISION OF EXHIBITS "B" AND "C"
ATTACHED TO UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

STATE OF NEW MEXICO)
COUNTY OF LEA)

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS Amoco Production Company has been designated as Unit Operator of the South Hobbs (Grayburg-San Andres) Unit pursuant to the agreement entitled "Unit Agreement, South Hobbs (Grayburg-San Andres) Unit, Lea County, New Mexico," dated the first day of May 1974, hereinafter referred to as "Unit Agreement";

WHEREAS Article 2 of the Unit Agreement provides, among other things, that, should there be any mechanical miscalculation or mechanical error in the exhibits attached thereto, Unit Operator may correct the mistake or mistakes by revising the exhibits to conform to the facts; and

WHEREAS Article 2 of the Unit Agreement provides that, if an exhibit is revised, Unit Operator shall execute an appropriate instrument with the revised exhibits attached and file two copies with the Commissioner and one copy for record in Lea County, New Mexico;

THEREFORE, Amoco Production Company, as Unit Operator of the said South Hobbs (Grayburg-San Andres) Unit, pursuant to the authority hereinabove recited, does hereby revise said Exhibits "A," "B," and "C" in the particulars hereinafter provided.

1. Exhibit "A" of the Unit Agreement is hereby revised by substituting the plat attached to this instrument marked "First Revision, Exhibit 'A' to Unit Agreement" for the plat designated as Exhibit "A," this plat reflecting the unit outline and title as of the effective date.

2. Exhibit "B" of the Unit Agreement is hereby revised by substituting the attached "Second Revision, Exhibit 'B,'" for the "First Revision, Exhibit 'B,'" which designates a sliding-scale overriding royalty for Tract 20, corrects mechanical errors shown for overriding royalty ownership under Tract 36 and for Working Interest ownership under Tracts 36, 43, and 44 which affects only the overriding royalty owner and those Working Interest Owners making up the ownership under the aforementioned tracts and does not in any way change the participation values for Tracts 36, 43, and 44 or for any other tract in the aforementioned Unit.

3. Exhibit "C" of the Unit Agreement is hereby revised by substituting the attached "Second Revision, Exhibit 'C,'" for the "First Revision, Exhibit 'C,'" which corrects a mechanical error for the descriptions shown of Tracts 22, 27, 44, and 49 and in no way alters or affects the descriptions of any other tract or unit boundary as of the effective date as shown on Exhibit "A" attached.

Except as revised hereby, said Exhibits "A," "B," and "C" of the Unit Agreement shall remain as shown.

NOW, THEREFORE, Amoco Production Company, as Unit Operator, hereby certifies as follows:

1. That it has, in compliance with the provisions of Article 2, revised Exhibits "A," "B," and "C" to the Unit Agreement and that true and correct copies of said Exhibits "A," "B" and "C" as so revised are attached hereto and made by reference a part hereof.

2. That the Unit Agreement became effective on January 1, 1975, at 7 A.M. and said First Revision to Exhibit "A" and Second Revision to Exhibit "C" attached hereto are effective as of the effective date of the Unit Agreement.

3. That in accordance with Article 2 of the Unit Agreement, the Second Revision to Exhibit "B" is and shall be effective at 7 A.M. on the first day of the calendar month next following the filing for record of the revised exhibit.

IN WITNESS WHEREOF, Amoco Production Company, acting in its capacity as Unit Operator, has on this 24th day of February 1975 executed this instrument.

AMOCO PRODUCTION COMPANY

By

John W. Phenice
Its Attorney in Fact

APPROVED

THE STATE OF TEXAS)
COUNTY OF HARRIS)

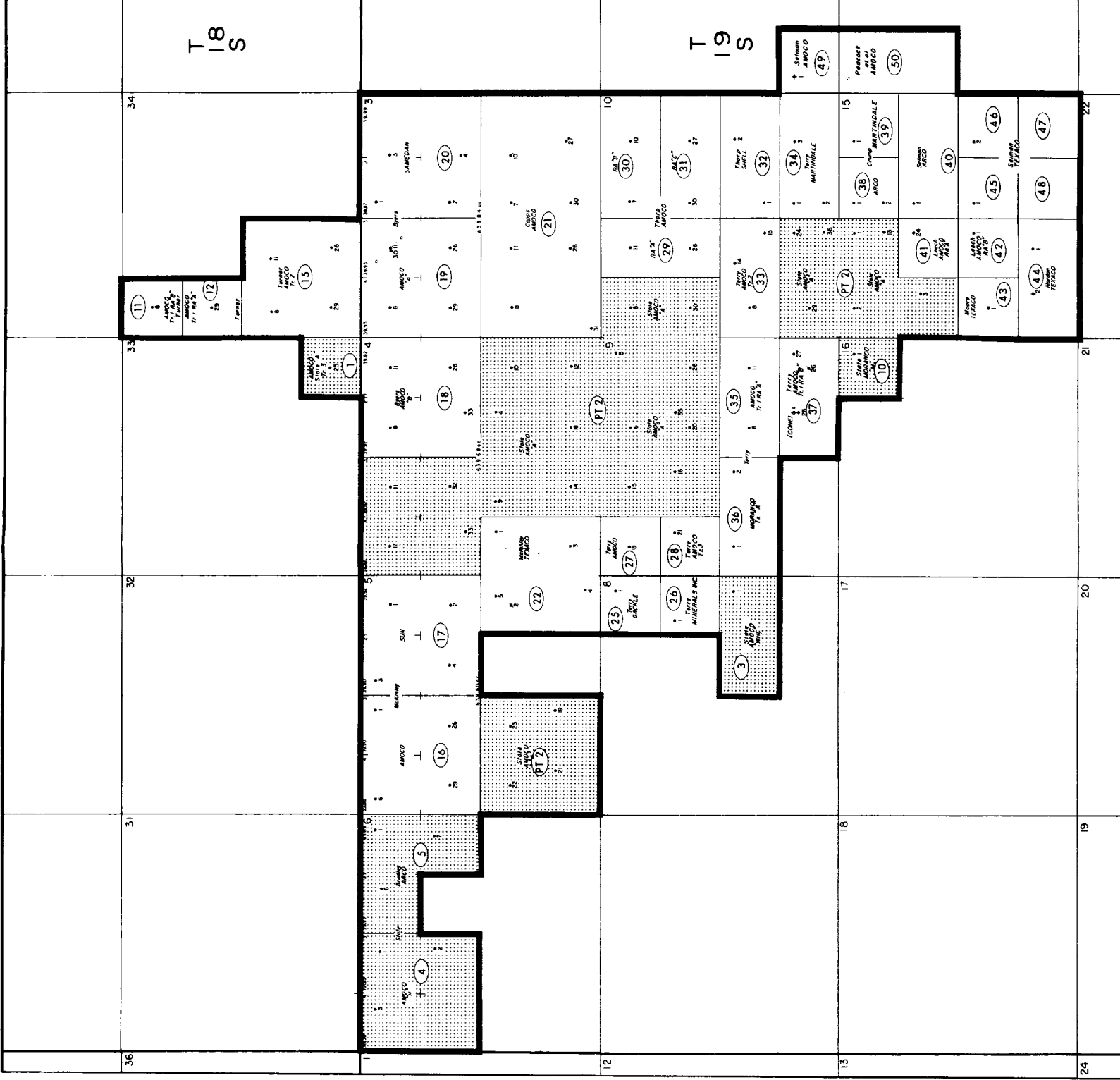
BEFORE ME, the undersigned authority, on this day personally appeared JOHN W. PHENICE, known to me to be the person who executed the foregoing instrument as Attorney in Fact for AMOCO PRODUCTION COMPANY, and acknowledged to me that he executed the same for the purposes and consideration therein expressed as the act and deed of said corporation and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 24th day of February

Dorothy E. Middleton
Notary Public in and for
Harris County, Texas

DOROTHY E. MIDDLETON

Notary Public in and for Harris County, Texas
My Commission Expires 6-1-75



R 38 E

1514 484 state
3039.26 A Fee
45 53.74 A Total

— legend —
TRACT BOUNDARY
STATE LAND
FEE LAND
UNIT BOUNDARY

FIRST REVISION

EXHIBIT "A"
TO
UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
Lea County, New Mexico



SECOND REVISION
EXHIBIT "B"

TO

UNIT AGREEMENT

SCHEDULE SHOWING TRACT PARTICIPATIONS AND PERCENTAGE
AND KIND OF OWNERSHIP OF ALL LANDS WITHIN THE
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
<u>T-18-S, R-38-E</u>							
1	SE/4 SE/4 Sec. 33	40.00	A-1212-1 10-18-28	State-A11	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-38-E</u>							
2	NW/4, E/2 SW/4, SE/4, Sec. 4 SW/4 Sec. 5 E/2 NW/4, NE/4 Sec. 9 W/2 NW/4, S/2 SW/4 Sec. 10 N/2 NW/4, SW/4 NW/4 Sec. 15	1,079.84	A-1212-1 10-18-28	State-A11	Amoco Production Company	Amoco Production Company-.09261%	Amoco Production Company-100%
3	N/2 SE/4 Sec. 8	80.00	A-1469-2 12-18-28	State-A11	Amerada Hess Corporation	None	Amoco Production Company-100%
4	NW/4 Sec. 6	157.32	A-1646-9 1-11-29	State-A11	Robert M. Taubman	None	Amoco Production Company-37.71751% Landreth Interests -12.28249% J. H. Morris Agent-50.00000%
5	N/2 NE/4, SE/4 NE/4 Sec. 6	117.32	A-1646-5 1-11-29	State-A11	Atlantic Richfield Company	None	Atlantic Richfield Company-100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
10	NE/4 NE/4 Sec. 16	40.00	E-8432-2 8-17-54	State-A11	Moranco (Moran Oil Producing & Drilling Corporation)	None	J. N. Dunlavy-6.25% First Roswell Co.-6.25% George P. Laflin-6.25% K. D. McPeters-6.25% R. M. Moran-40.625% Moranco-15.625% P. A. Wardlaw-6.25% Lloyd Whitley-6.25% A. T. Williamson-6.25%

Six (6) State Tracts totaling 1,514.48 acres consisting of 33.26 percent of the Unit Area.

T-18-S, R-38-E

11	NW/4 NW/4 Sec. 34	40.00	Fee-HBP	Marshall and Winston Inc. -12.50%*	Amoco Production Company	None	Amoco Production Company-100%
12	SW/4 NW/4 Sec. 34	40.00	Fee-HBP	Atlantic Richfield Company -9.37504%*	Amoco Production Company	None	Amoco Production Company-100%
15	SW/4 Sec. 34	160.00	Fee-HBP	Bonnie R. Etz -12.5%*	Amoco Production Company	None	Amoco Production Company-100%
<u>T-19-S, R-38-E</u>							
16	NW/4 Sec. 5	159.78	Fee-HBP	J.M.R. Lyeth, Jr. & M.L. Lyeth -14.06248%	Amoco Production Company	None	Amoco Production Company-100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
17	NE/4 Sec. 5	159.82	Fee-HBP	J.M.R. Lyeth, Jr. & M.L. Lyeth -14.06248*	Sun Oil Company	None	Sun Oil Company-100%
18	NE/4 Sec. 4	159.82	Fee-HBP	Minnie Byers Life Est. -20.83336*	Amoco Production Company	None	Amoco Production Company-100%
19	NW/4 Sec. 3	159.88	Fee-HBP	Minnie Byers Life Est. -20.8332*	Amoco Production Company	None	Amoco Production Company-100%
20	NE/4 Sec. 3	159.96	Fee-HBP	Minnie Byers Life Est. -20.83360*	Samedan Oil Corporation	Continental Oil Company -3.12500% (Applies at average) producing rates of 50 BOPD per well or less and increases above that rate)	Samedan Oil Corporation -87.125%; John Patrick Cusack Estate-8.500%; J. P. Cusack, Jr.-2.000%; M. F. Cusack-2.000%; Sea Properties Ltd.-.375%
21	S/2 Sec. 3	320.00	Fee-HBP	C. F. Bedford -10.5%*	Amoco Production Company	None	Amoco Production Company-100%
22	W/2 SW/4 Sec. 4 E/2 SE/4 Sec. 5	160.00	Fee-HBP	Cities Service Oil Company 16.66664**	Texaco, Inc.	None	Texaco, Inc.-100%
25	NE/4 NE/4 Sec. 8	40.00	Fee-HBP	Ora B. Terry -37.50%*	Albert Gackie, Operator	Amoco Production Company-5.46875%	Albert Gackie, Operator-16.66667% Margaret Clay-7.08332% Rufus G/ Clay Trusts 1, 2 and 3-7.08332%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
26	SE/4 NE/4 Sec. 8	40.00	Fee-HBP	Ora B. Terry -37.50%*	Minerals, Inc.	Amoco Production Company-6.25000%*	W. J. & Ellen H. Clay Trusts-14.16668%; Management Trust Co.-5.00000%; Adelaide Dwight -16.66667%; Est. of James H. Snowden -16.66667%; James M. Snowden -16.66667%
27	NW/4 NW/4 Sec. 9	40.00	Fee-HBP	Atlantic Rich-field Company -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
28	SW/4 NW/4 Sec. 9	40.00	Fee-HBP	Atlantic Rich-field Company -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
29	E/2 NW/4 Sec. 10	80.00	Fee-HBP	Atlantic Rich-field Company -37.50%*	Amoco Production Company	None	Amoco Production Company-100%
30	N/2 NE/4 Sec. 10	80.00	Fee-HBP	Bessie Dunnam -8.33336%*	Amoco Production Company	None	Amoco Production Company-100%
31	S/2 NE/4 Sec. 10	80.00	Fee-HBP	Elliot Oil Company-25.00%*	Amoco Production Company	None	Amoco Production Company-100%
32	N/2 SE/4 Sec. 10	80.00	Fee-HBP	Elliot Oil Company-25.00%*	Shell Oil Company	None	Shell Oil Company -100%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
33	N/2 SW/4 Sec. 10	80.00	Fee-HBP	Atlantic Richfield Company -12.5%*	Amoco Production Company	None	Amoco Production Company-100%
34	S/2 SE/4 Sec. 10	80.00	Fee-HBP	Ora B. Terry -25.00%*	R. L. Summers	None	R. L. Summers - 66.66667% Margaret M. McPherson - 16.66667% R. L. McPherson - 8.33333% Colleen M. Wallace - 8.33333%
35	N/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.66664%*	Amoco Production Company	None	Amoco Production Company-100%
36	N/2 SW/4 Sec. 9	80.00	Fee-HBP	Atlantic Richfield Company -25.00%*	Moranco (Moran Oil Prod. and Drilling Corp.)	Amoco Production Company - 6.25%	W. G. Abbott - 11.25% Acadia Corp. - 5% Lea Investors, Inc. - 7.5% J. S. McGannon - 3.75% K. D. McPeters - 3.75% R. M. Moran - 22.5% Moranco - 20% P. A. Wardlaw - 3.75% Western Reserves Oil Co. - 11.25% Loyd Whitely - 7.5% A. T. Williamson - 3.75%
37	S/2 SE/4 Sec. 9	80.00	Fee-HBP	Cities Service Oil Company -16.66664%*	Amoco Production Company	None	Amoco Production Company-100%
38	N/4 NE/4 Sec. 15	40.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company	None	Atlantic Richfield Company-100%
39	NE/4 NE/4 Sec. 15	40.00	Fee-HBP	Elaine M. Walker -25.00%*	McPherson Operating Account	Atlantic Richfield Company -12.50%	Margaret M. McPherson-50% R. L. McPherson-25% Colleen M. Wallace-25%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
40	S/2 NE/4 Sec. 15	80.00	Fee-HBP	Elaine M. Walker -25.00%*	Atlantic Richfield Company	None	Atlantic-Richfield Company-100%
41	SE/4 NW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
42	NE/4 SW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -25.00%*	Amoco Production Company	None	Amoco Production Company-100%
43	NW/4 SW/4 Sec. 15	40.00	Fee-HBP	Joanne Grieb -24.000004%*	Texaco, Inc.	None	Amoco Production Company-6.25000% Jane C. Harris-.92593% William J. Harris-.92593% J. B. Umpleby Est.-1.38888% Texaco, Inc.-18.05555% Helen Avara-4.16667% Ila Crawford, Indv. & Extx. J.P. Crawford Est 2.77776% Mary L. Dunbar-4.16667% Joanne Grieb-25.00000% Daico Oil Co.-12.50000% Christine Johnson-4.16668% Loma Inc.-6.25000% Margaret H. Long-.92593% Moore Trust-12.50000%
44	S/2 SW/4 Sec. 15	80.00	Fee-HBP	U V Industries -21.33725%*	Texaco, Inc.	None	Texaco, Inc.-95.83333% Amoco Production Company-4.16667%

Tract No.	Description	No. of Acres	Serial No. & Date of Lease or Application	Percentage Ownership of Basic Royalty	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
45	NW/4 SE/4 Sec. 15	40.00	Fee-HBP	Texas International Petroleum Corporation -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
46	NE/4 SE/4 Sec. 15	40.00	Fee-HBP	Texas International Petroleum Corporation -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
47	SE/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
48	SW/4 SE/4 Sec. 15	40.00	Fee-HBP	Alma Oil Company -25.00%*	Texaco, Inc.	None	Texaco, Inc.-100%
49	SW/4 SW/4 Sec. 11	40.00	Fee-HBP	Cecil P. Bordages III -21.87504%*	Amoco Production Company	None	Amoco Production Company-80.04686% Olivia W. & George Litz-6.25000% Buttram Texhoma Company-5.10938% Lawson Petroleum Company-3.12500% Unleased-5.46876%
50	W/2 NW/4 Sec. 14	80.00	Fee-HBP	Atlantic Richfield Company -25.00000%* Texas International Petroleum Co. -25.00000%*	Amoco Production Company	None	Amoco Production Company-46.52777% Atlantic Richfield Company-25.00000% Tenneco Oil Company 12.50000% Hugh Corrigan III -6.25000% David E. Goodrich -3.34722% Unleased - 9.37501%

Thirty Six (36) Fee Tracts totaling 3,039.26 acres consisting of 66.74 percent of the Unit Area.

<u>RECAPITULATION OF NUMBER OF ACRES</u>			
State Lands	1,514.48 acres	33.26 percent	
Fee Lands	<u>3,039.26 acres</u>	<u>66.74 percent</u>	
	<u>4,553.74 acres</u>	<u>100.00 percent</u>	

* Largest Royalty Interest Owner only is shown except where one or more owners have identical interests.
Complete royalty ownership will be furnished upon request.

SECOND REVISION
EXHIBIT "B"

TO

UNIT AGREEMENT

SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

S U M M A R Y

Working Interest Owner	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Amoco Production Company	1	2.35734	1.75687	2.23037
	2	28.53746	27.46222	32.53720
	3	.00000	.11477	.00693
	4	.57887	.65074	.27803
	11	2.91350	2.06713	2.28083
	12	2.27139	1.80156	2.68753
	15	8.03200	6.60214	8.38751
	16	7.97114	6.29490	5.83904
	18	6.51548	5.93120	8.83177
	19	4.70851	4.56372	4.85148
	21	7.63947	7.44620	6.90748
	27	.30938	.62382	.55291
	28	.15896	.33646	.25158
	29	1.00043	1.51197	2.75590
	30	1.37567	1.39522	.81398
	31	2.73237	2.11071	1.14919
	33	1.02706	1.47531	1.48385
	35	.53288	1.10219	.74051
	37	.36659	.75818	.27670
	41	.24256	.53779	.28946
	42	.18658	.35953	.35321
	43	.00000	.01448	.00365
	44	.00762	.02355	.00803
	49	.00000	.06011	.01677
	50	.00000	.08678	.00471
		79.46526	75.08755	83.53862

Working Interest Owner	Tract Numbers	Unit Participation - %		
		Phase I	Phase II	Phase III
Atlantic Richfield Company	5	4.10529	2.11026	1.35173
	38	.00000	.54821	.52440
	40	.00000	.63502	.28815
	50	.00000	.04663	.00253
		4.10529	4.64822	1.86981
W. G. Abbott	36	.02998	.06652	.02390
Acadia Corporation	36	.01333	.02957	.01062
Buttram Texhoma Company	49	.00000	.00383	.00107
R. G. Clay Trusts 1, 2 and 3	25	.01329	.02788	.02163
Margaret B. Clay	25	.01329	.02788	.02163
W. J. Clay Estate	25	.02657	.05576	.04326
Hugh Corrigan III	50	.00000	.01166	.00063
John Patrick Cusack Estate	20	.12027	.20679	.10768
John P. Cusack, Jr.	20	.02830	.04865	.02533
Michael F. Cusack	20	.02830	.04866	.02534
J. N. Dunlavy	10	.00566	.01780	.00313
Adelaide F. Dwight	25	.03126	.06560	.05090
Olivia W. and George Etz	49	.00000	.00469	.00131
First Roswell Company	10	.00566	.01779	.00313

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Albert Gackle, Operator	25	.03126	.06561	.05090
Jane C. Harris	43	.00000	.00215	.00054
William J. Harris	43	.00000	.00215	.00054
George P. Laflin	10	.00566	.01779	.00313
Landreth Interests	40	.18850	.21191	.09054
Lawson Petroleum Company	49	.00000	.00235	.00065
Lea Investors, Inc.	36	.01999	.04435	.01593
Management Trust Company	25	.00938	.01968	.01527
J. B. Umpleby Estate	43	.00000	.00322	.00081
J. S. McGannon	36	.00999	.02217	.00796
K. D. McPeters	10	.00565	.01779	.00313
	36	<u>.00999</u>	<u>.02217</u>	<u>.00797</u>
		<u>.01564</u>	<u>.03996</u>	<u>.01110</u>
R. L. McPheron	34	.10308	.13348	.07693
	39	<u>.07443</u>	<u>.10441</u>	<u>.06677</u>
		<u>.17751</u>	<u>.23789</u>	<u>.14370</u>
Margaret M. McPheron	34	.20615	.26697	.15385
	39	<u>.14885</u>	<u>.20883</u>	<u>.13355</u>
		<u>.35500</u>	<u>.47580</u>	<u>.28740</u>
Minerals, Inc.	26	.30329	.41782	.22016
R. M. Moran	10	.03675	.11565	.02033
	36	<u>.05996</u>	<u>.13305</u>	<u>.04779</u>
		<u>.09671</u>	<u>.24870</u>	<u>.06812</u>
Moranco	10	.01414	.04448	.00782
	36	<u>.05330</u>	<u>.11827</u>	<u>.04248</u>
		<u>.06744</u>	<u>.16275</u>	<u>.05030</u>

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Samedan Oil Corporation	20	1.23280	2.11958	1.10368
Sea Properties, Ltd.	20	.00531	.00912	.00475
Shell Oil Company	32	.85113	1.25799	1.12559
James M. Snowden	25	.03127	.06561	.05090
James H. Snowden Estate	25	.03127	.06561	.05090
R. L. Summers	34	.82462	1.06785	.61542
Sun Oil Company	17	5.20009	5.23677	5.73123
Tenneco Oil Company	50	.00000	.02331	.00126
Texaco, Inc.	22	4.92476	4.47148	3.46042
	43	.00000	.04182	.01055
	44	.17531	.54153	.18463
	45	.47149	.62204	.26894
	46	.05333	.27120	.02863
	47	.00000	.12935	.00408
	48	.00000	.23439	.02205
		5.62489	6.31181	3.97930
Colleen M. Wallace	34	.10308	.13348	.07693
	39	.07443	.10442	.06678
		.17751	.23790	.14371
P. A. Wardlaw	10	.00565	.01779	.00313
	36	.00999	.02218	.00797
		.01564	.03997	.01110
Western Reserves Oil Company	36	.02998	.06653	.02390

<u>Working Interest Owner</u>	<u>Tract Numbers</u>	<u>Unit Participation - %</u>		
		<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Loyd Whitley	10 36	.00565 .01999 <u>.02564</u>	.01779 <u>.04435</u> <u>.06214</u>	.00313 .01593 <u>.01906</u>
A. T. Williamson	10 36	.00565 .00999 <u>.01564</u>	.01779 <u>.02218</u> <u>.03997</u>	.00313 .00797 <u>.01110</u>
Helen Avara	43	.00000	.00965	.00243
Ila Crawford, Individually and Executrix of J. P. Crawford Estate	43	.00000	.00643	.00162
Mary L. Dunbar	43	.00000	.00965	.00244
David E. Goodrich	50	.00000	.00065	.00004
Joanne Grieb	43	.00000	.05791	.01461
Dalco Oil Company	43	.00000	.02895	.00731
Christine Johnson	43	.00000	.00965	.00244
Loma, Inc.	43	.00000	.01448	.00365
Margaret H. Long	43	.00000	.00214	.00054
Moore Trust	43	.00000	.02895	.00731
Unleased	49 50	.00000 .00000 <u>.00000</u>	.00411 <u>.01748</u> <u>.02159</u>	.00115 .00095 <u>.00210</u>
TOTAL		<u>100.00000</u>	<u>100.00000</u>	<u>100.00000</u>

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SECOND REVISION

EXHIBIT "C"
TO
UNIT AGREEMENT
SOUTH HOBBS (GRAYBURG-SAN ANDRES) UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description	Tract Participation - %		
		Phase I	Phase II	Phase III
	<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>			
1	Section 33: SE/4 SE/4	2.35734	1.75687	2.23037
	<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>			
2	Section 4: NW/4, E/2 SW/4, SE/4 Section 5: SW/4 Section 9: E/2 NW/4, NE/4 Section 10: W/2 NW/4, S/2 SW/4 Section 15: N/2 NW/4, SW/4 NW/4	28.53746	27.46222	32.53720
3	Section 8: N/2 SE/4	.00000	.11477	.00693
4	Section 6: NW/4	1.53475	1.72529	.73714
5	Section 6: N/2 NE/4, SE/4 NE/4	4.10529	3.41836	1.25473
10	Section 16: NE/4 NE/4	.09047	.28467	.05006
	<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>			
11	Section 34: NW/4 NW/4	2.91350	2.06713	2.28083
12	Section 34: SW/4 NW/4	2.27139	1.80156	2.68753
15	Section 34 SW/4	8.03200	6.60214	8.38751
	<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>			
16	Section 5 NW/4	7.97114	6.29490	5.83904
17	Section 5 NE/4	5.20009	5.23677	5.73123
18	Section 4 NE/4	6.51548	5.93120	8.83177
19	Section 3 NW/4	4.70851	4.56372	4.85148
20	Section 3 NE/4	1.41498	2.43280	1.26678

Tract No.	Description		Tract Participation - %		
			Phase I	Phase II	Phase III
<u>TOWNSHIP 19 SOUTH, RANGE 38 EAST</u>					
21	Section 3	S/2	7.63947	7.44620	6.90748
22	Section 5	E/2 SE/4	4.92476	4.47148	3.46042
	Section 4	W/2 SW/4			
25	Section 8	NE/4 NE/4	.18759	.39363	.30539
26	Section 8	SE/4 NE/4	.30329	.41782	.22016
27	Section 9	NW/4 NW/4	.30938	.62382	.55291
28	Section 9	SW/4 NW/4	.15896	.33646	.25158
29	Section 10	E/2 NW/4	1.00043	1.51197	2.75590
30	Section 10	N/2 NE/4	1.37567	1.39522	.81398
31	Section 10	S/2 NE/4	2.73237	2.11071	1.14919
32	Section 10	N/2 SE/4	.85113	1.25799	1.12559
33	Section 10	N/2 SW/4	1.02706	1.47531	1.48385
34	Section 10	S/2 SE/4	1.23693	1.60178	.92313
35	Section 9	N/2 SE/4	.53288	1.10219	.74051
36	Section 9	N/2 SW/4	.26649	.59134	.21242
37	Section 9	S/2 SE/4	.36659	.75818	.27670
38	Section 15	NW/4 NE/4	.00000	.54821	.32440
39	Section 15	NE/4 NE/4	.29771	.41766	.26710
40	Section 15	S/2 NE/4	.00000	.63502	.28815
41	Section 15	SE/4 NW/4	.24256	.53779	.28946
42	Section 15	NE/4 SW/4	.18658	.35953	.35321
43	Section 15	NW/4 SW/4	.00000	.23163	.05844
44	Section 15	S/2 SW/4	.18293	.56508	.19266
45	Section 15	NW/4 SE/4	.47149	.62204	.26894
46	Section 15	NE/4 SE/4	.05333	.27120	.02863

<u>Tract No.</u>	<u>Description</u>		<u>Tract Participation - %</u>		
			<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
	<u>TOWNSHIP 18 SOUTH, RANGE 38 EAST</u>				
47	Section 15	SE/4 SE/4	.00000	.12935	.00408
48	Section 15	SW/4 SE/4	.00000	.23439	.02205
49	Section 11	SW/4 SW/4	.00000	.07509	.02095
50	Section 14	W/2 NW/4	<u>.00000</u>	<u>.18651</u>	<u>.01012</u>
			100.00000%	100.00000%	100.00000%

