

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPPLICATE  
(Other instructions on reverse side)

Expires August 31, 1985

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.  
Use "APPLICATION FOR PERMIT—" for such proposals.)

|  |   |
|--|---|
| 1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>                                   | 7. UNIT AGREEMENT NAME                                      |
| 2. NAME OF OPERATOR<br>Merrion Oil & Gas Corporation   | 8. FARM OR LEASE NAME<br>Media Entrada Unit                 |
| 3. ADDRESS OF OPERATOR<br>P. O. Box 840, Farmington, NM 87499  | 9. WELL NO.   |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*<br>See also space 17 below.)<br>At surface<br>Various | 10. FIELD AND POOL, OR WILDCAT<br>Media Entrada             |
|  | 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA<br>Various |
| 14. PERMIT NO.   | 15. ELEVATIONS (Show whether OF, BT, GR, etc.)              |
|  | 12. COUNTY OR PARISH<br>Sandoval                            |
|  | 13. STATE<br>NM   |

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

| NOTICE OF INTENTION TO: |                                     | SUBSEQUENT REPORT OF: |                          |
|-------------------------|-------------------------------------|-----------------------|--------------------------|
| TEST WATER SHUT-OFF     | <input type="checkbox"/>            | WATER SHUT-OFF        | <input type="checkbox"/> |
| FRACTURE TREAT          | <input type="checkbox"/>            | FRACTURE TREATMENT    | <input type="checkbox"/> |
| SHOOT OR ACIDIZE        | <input type="checkbox"/>            | SHOOTING OR ACIDIZING | <input type="checkbox"/> |
| REPAIR WELL             | <input type="checkbox"/>            | (Other)               | <input type="checkbox"/> |
| (Other)                 | <input type="checkbox"/>            |                       |                          |
| PULL OR ALTER CASING    | <input type="checkbox"/>            | REPAIRING WELL        | <input type="checkbox"/> |
| MULTIPLE COMPLETE       | <input type="checkbox"/>            | ALTERING CASING       | <input type="checkbox"/> |
| ABANDON*                | <input type="checkbox"/>            | ABANDONMENT*          | <input type="checkbox"/> |
| CHANGE PLANS            | <input type="checkbox"/>            |                       |                          |
| Field Cleanup           | <input checked="" type="checkbox"/> |                       |                          |

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

As you are aware, we have recovered most of the oil from the Media Entrada Unit pits, and have approximately 1600 Bbls held in tanks at the battery. Due to the poor quality of the oil, we are having difficulty getting rid of it. It appears that we will have to sell it at a fraction of the posted price, which will probably not cover our cost to heat it and truck it to the purchaser. In a recent conversation with Brian Lloyd of your office, he indicated we could get relief from paying royalty since it is "waste oil". Therefore, we request your approval to sell this oil and not pay federal royalty.

RECEIVED

NOV 29 1990

OIL CON. DIV.  
DIST. 3

Case No. 5464

18. I hereby certify that the foregoing is true and correct

|  |                                  |                      |
|--|----------------------------------|----------------------|
| SIGNED <u>George F. Shaype</u>               | TITLE <u>Reservoir Engineer</u>  | DATE <u>11/20/90</u> |
| (This space for Federal or State office use) |                                  |                      |
| APPROVED BY <u>Shirley Mondy</u>             | TITLE <u>Acting AREA MANAGER</u> | DATE <u>11/26/90</u> |
| CONDITIONS OF APPROVAL, IF ANY:              |                                  |                      |

In accordance with  
Onshore Order 4

NMOCD

\*See Instructions on Reverse Side

Copies: BLM - 6, Rio Puerco  
Well File - 1

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE\*  
(Other instructions on re-  
verse side)

Form approved.  
Budget Bureau No. 1004-0135  
Expires August 31, 1985

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.  
Use "APPLICATION FOR PERMIT—" for such proposals.)

|   |  |   |
|---|--|---|
| 1. OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>                                   |  | 5. LEASE DESIGNATION AND SERIAL NO.                                   |
| 2. NAME OF OPERATOR<br>MERRION OIL & GAS CORPORATION  |  | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME<br>5464                          |
| 3. ADDRESS OF OPERATOR<br>P. O. Box 840, Farmington, New Mexico 87499   |  | 7. UNIT AGREEMENT NAME<br>Media Entrada Unit                          |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*<br>See also space 17 below.)<br>At surface |  | 8. FARM OR LEASE NAME   |
| 14. PERMIT NO.  |  | 9. WELL NO.   |
| 15. ELEVATIONS (Show whether DF, RT, GR, etc.)  |  | 10. FIELD AND POOL, OR WILDCAT<br>Media Entrada                       |
|   |  | 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA<br>Various Locations |
|   |  | 12. COUNTY OR PARISH<br>Sandoval                                      |
|   |  | 13. STATE<br>New Mexico   |

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

TEST WATER SHUT-OFF ☐

FRACTURE TREAT ☐

SHOOT OR ACIDIZE ☐

REPAIR WELL ☐

(Other) Field Cleanup

PULL OR ALTER CASING ☐

MULTIPLE COMPLETE ☐

ABANDON\* ☐

CHANGE PLANS ☐

XX

SUBSEQUENT REPORT OF:

WATER SHUT-OFF ☐

FRACTURE TREATMENT ☐

SHOOTING OR ACIDIZING ☐

(Other) ☐

REPAIRING WELL ☐

ALTERING CASING ☐

ABANDONMENT\* ☐

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

Attached is a comprehensive plan to plug and abandon uneconomic wells, recomplete wells with additional potential, and clean up the surface facilities and pits at the Southwest Media and Media Entrada Fields. This is in response to the following letters from your office:

1. March 15, 1990 to install pressure gauges on the Media Entrada Unit #5, Media Entrada Unit #9, Boling Federal 5-22, and Boling Federal 9-22 injection wells;
2. March 19, 1990 to temporarily or permanently abandon the Media Entrada Unit #1 and Media Entrada Unit #4 shut-in injections wells;
3. March 19, 1990 and October 17, 1989 to cleanup the pits and surface facilities at the field.

If you have questions or problems concerning the proposed plan, please contact George Sharpe at (505) 327-9801.

RECEIVED

APR 10 1990

OIL CON. DIV.

DIST. 3

18. I hereby certify that the foregoing is true and correct

SIGNED

George F. Sharpe

TITLE Reservoir Engineer

DATE March 29, 1990

(This space for Federal or State office use)

APPROVED BY

CONDITIONS OF APPROVAL, IF ANY:

FOR AREA MANAGER

TITLE RIO PUERCO RESOURCE AREA

DATE

APR 06 1990

\*See Instructions on Reverse Side

NMOCD

MEDIA DEVELOPMENT PLAN  
(See Attached Map)

GFS 3-29-90

I.      Media Entrada Unit Waterflood

A recently completed reservoir study indicated that our waterflood has been very successful. Therefore, we plan to continue to inject into the Media Entrada Unit #5 and Media Entrada Unit #8 and sweep oil towards our lone producer, the Media Entrada Unit #6. In addition, we would like to convert the Media Entrada Unit #3 to injection to try to increase the sweep efficiency of the flood. We will continue to inject any excess water into the Gallup Formation in the Boling Federal 5-22. All other injectors (Media Entrada Unit #1, Media Entrada Unit #4, and Boling Federal 9-22) will be P&A'd.

A sundry notice was recently submitted and approved to P&A the Media Entrada Unit #3. Again, further study has indicated that the Media Entrada Unit #3 would be an excellent injector location. Therefore, we plan to run a liner in the well to isolate the corroded casing and convert it to injection. We hope to have the permit applications submitted by the end of April and conduct the wellwork in June or July.

As required in the March 15 letter, pressure gauges have been installed on the other active injection wells. In addition, we will conduct UIC casing annulus pressure tests by the end of August.

II.     Menefee Recompletions

We plan to recomplete the Media Entrada Unit #7 and the Miller Federal #7 into the Menefee formation. Surface facilities will be installed to handle the produced fluids on each location. If produced water volumes are greater than the pit limitation of 5 BPD, we will inject the water into the Media disposal system.

Sundry notices will be submitted for the wellwork by the end of April. We hope to complete the work by the end of August.

III.    Plug and Abandonments

The following wells are uneconomic and/or unnecessary, and will be plugged and abandoned: Media Entrada Unit #1, Media Entrada Unit #2, Media Entrada Unit #4, Boling Federal #6-22, Boling Federal #8-22, Boling Federal #9-22, Federal Media #6, Federal Media #7, and Federal Media #8. Sundry notices for all wells will be submitted by

the middle of May. We plan to start our first P&A by the end of June and continue through the well list. All surface locations will be reclaimed and all surface flowlines will be removed for these wells.

IV. Injection Plant Reclamation

To properly clean up the pits and the old piping around the injection plant, the plant needs to be moved to a new location. We plan to move the plant 100 to 200 yards to the southeast from the current location. The following facilities will be installed:

1. Pump house with two injection pumps.
2. An injection water holding tank, a skim oil tank with a recirculating pump, and a fiberlass emergency/overflow tank with a recirculating pump.
3. An emergency pit, normally dry unless emergency tank overflows.

What can't be used out of the old facilities will be dismantled and abandoned. Surface and underground lines will be rerouted to facilitate closure of the pits and operation of the new facilities. We hope to start construction in late April, have the new facility operational by the end of May, and have the cleanup complete by the end of June.

V. Tank Battery Reclamation

One separator and 3 oil holding tanks will be left at the battery to handle the produced Entrada fluids. A circulating pump will be installed to pump tank bottoms back to the separator. The berms around the battery will be built up to contain any major spill. All other facilities will be dismantled and abandoned. We hope to have this done by July or August.

VI. Pit Reclamation

The four pits at the water injection facilities will be reclaimed as follows:

1. The oil will be skimmed off the top. We have a plan to try to do this while the oil is gelled, so we hope to get started by mid April. The water will then be skimmed off, filtered, and injected.

## Media Development Plan

Page Three

March 29, 1990

2. Some of the pit bottoms and/or sides will be used to build up berms around the new injection plant, the tank battery, and the Media Entrada Unit #6 location.
3. The remaining pit bottoms will be sprayed with an oil dispersant, the pits covered with at least 12" of soil, disked, and recontoured. Some of the fill for the pits may have to come from the surrounding hillsides due to the location of the pits in relation to the surrounding topography. This final phase will be coordinated with the demolition of the old injection plant, hopefully during the month of June.

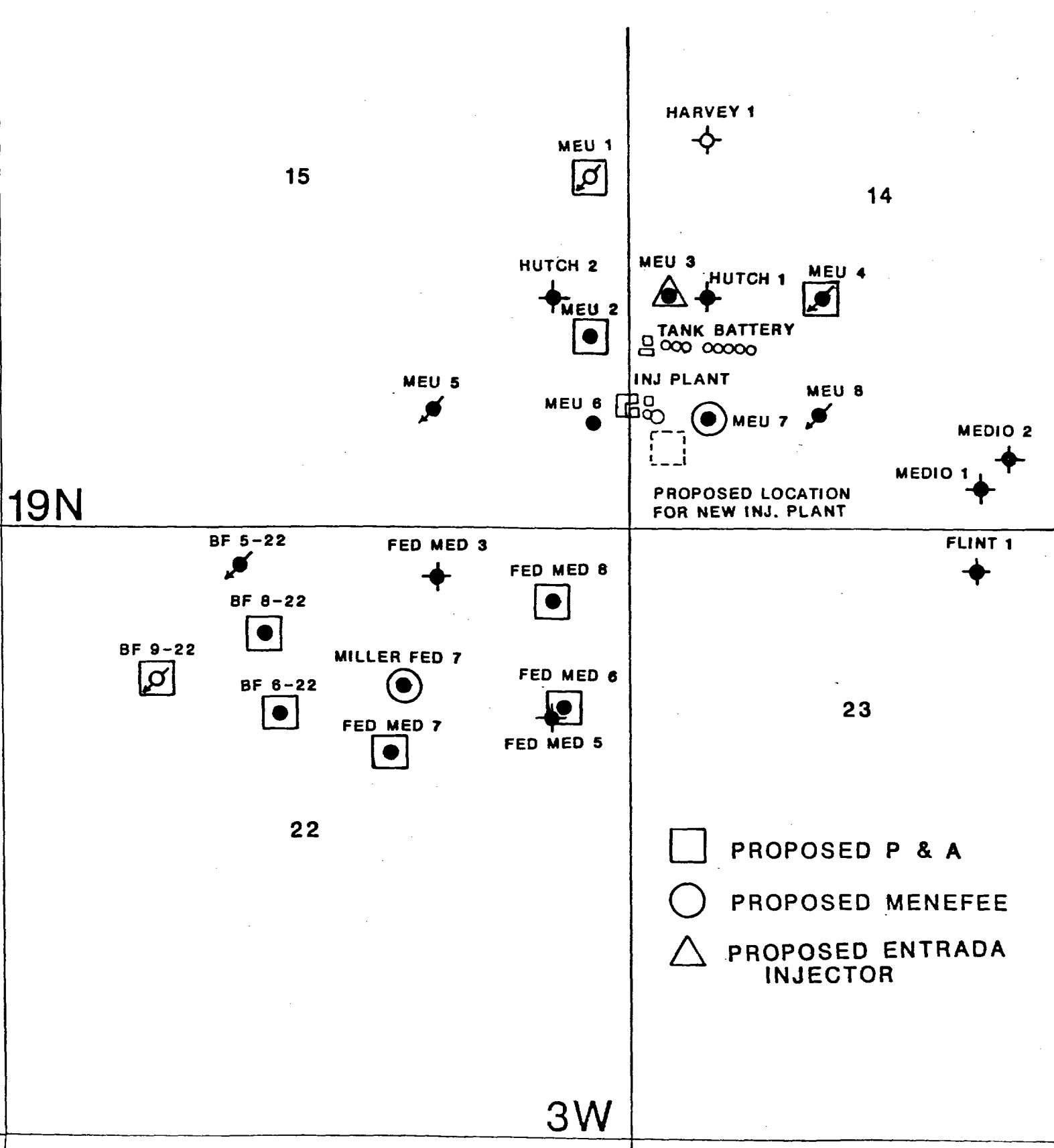
The two small pits at the tank battery will be skimmed and cleaned out in April. They will be reclaimed in a similar manner and at the same time as the injection plant pits (June).

The pit at the Media Entrada Unit #6 producer will be skimmed and cleaned out during the shut down to tie in the new injection plant (June). A small fiberglass tank will be submerged in the pit, and the pit filled in around it. This tank will be used to catch the small amount of runoff from the hydraulic pump packing leaks. A berm will be built up around the location to contain any major spill that may occur.

## VII. General Field Cleanup

The final phase will be to conduct a general cleanup of the field, hauling off old flowlines, trash piles, etc. The yard located north of the battery will be cleaned up and organized. The final cleanup should be complete by the end of August.

# PROPOSED WELLWORK MEDIA FIELD



3464

Bureau of Land Management  
Minerals Division  
435 Montano NE  
Albuquerque, NM 87107

OCT 21 1988

Media Entrada (POD)  
3180 (015)

Merrion Oil and Gas Corporation  
P.O. Box 840  
Farmington, NM 87499

Gentlemen:

One approved copy of your 1988 Plan of Development for the Media Entrada Unit area, Sandoval County, New Mexico is enclosed. Such plan, proposing the drilling of no wells for calendar year 1988, was approved this date subject to like approval by the appropriate officials of the State of New Mexico.

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

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

All plans of development are to be filed in triplicate.

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

Sincerely,

/s/ Gary A. Stephens

FOR Assistant District Manager  
Mineral Resources

Enclosure

cc:NM-019 WMOCD, Santa Fe Comm. of Pub. Lands, Santa Fe  
015:GK:ja:10/19/88:0413M

Office of District Management  
Albuquerque District Office  
Minerals Division  
P.O. Box 6220  
Albuquerque, NM 87197-6770

Media Entrada  
3180 (015)

JUN 12 1986

Kirby Exploration Company of Texas  
ATTN: Jane M. Madsen  
P.O. Box 1745  
Houston, TX 77251

Gentlemen:

Your letter of May 29, 1986, transmitted four copies of a Unit Successor Operator by which Petro-Lewis Corporation resigns as unit operator and Kirby Exploration is designated as unit operator of the Media Entrada Unit, Sandoval County, New Mexico, effective as of December 1, 1984.

The resignation of Petro-Lewis Corporation as unit operator and the designation of Kirby Exploration Company as successor unit operator are hereby accepted for record purposes.

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

Sincerely,

(CING. SGO.) ROBERT A. KENT

For District Manager

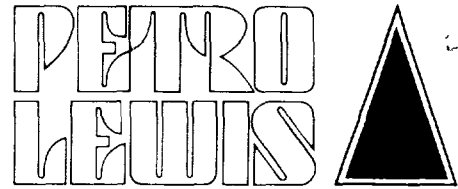
cc:

✓ NMOC

Comm. of Public Lands, Santa Fe  
Micrographics 943B-1 (w/enc)  
Fluids Section NM-016  
O&G Chron

015:GKeller:klm:6-9-86:1960M





1600 Broadway  
P.O. Box 2250

Denver Colorado 80201  
303/892-6010

Petro-Lewis Corporation  
Oil and Gas Producers

October 31, 1975

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Gentlemen:

Enclosed please find an original Certification and  
Determination with an attached copy of the Media Entrada  
Unit Agreement.

Very truly yours,

PETRO-LEWIS CORPORATION

  
Lloyd R. Wade

LRW:cm

Enclosures

CERTIFICATION--DETERMINATION


Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and operation of the Media Entrada Unit Area, State of New Mexico.

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

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

Dated October 10, 1975.

  
Acting Area Oil and Gas Supervisor  
United States Geological Survey

UNIT AGREEMENT FOR THE OPERATION OF  
THE MEDIA ENTRADA UNIT  
SANDOVAL COUNTY, NEW MEXICO

---

PETRO-LEWIS CORPORATION  
DENVER, COLORADO

UNIT AGREEMENT FOR THE OPERATION OF  
THE MEDIA ENTRADA UNIT  
SANDOVAL COUNTY, NEW MEXICO

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UNIT AGREEMENT FOR THE OPERATION OF

THE MEDIA ENTRADA UNIT

SANDOVAL COUNTY, NEW MEXICO

---

THIS AGREEMENT, entered into as of the 1st day of August, 1975, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H :

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

WHEREAS, the term "Working Interest" as used herein shall mean the interest held in Unitized Substances or in lands containing Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, which is chargeable with and obligated to pay or bear all or a portion of the costs of drilling, developing, producing, and operating the land under the unit or cooperative agreement. "Royalty Interest" as used herein shall mean a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Sections 181 et seq., authorizes Federal Lessees and their representatives to unite with each other, or jointly or separately with others, in

collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico hereinafter referred to as "Commission" is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949, Chap. 65, Art. 3, Sec. 14, N.M.S.A., 1953 anno) to approve this Agreement, and the conservation provisions hereof, and

WHEREAS, the parties hereto hold sufficient interests in the Media Entrada Unit Area covering the land hereinafter described to give reasonably effective control of operations herein; and

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

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

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, or valid, pertinent and reasonable regulations hereafter issued thereunder, are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to 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. The area specified on the plat attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the Unit Area, containing 580 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the Unit Area, the boundaries and identity of tracts and leases in said Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil interests in all land in the Unit Area. Exhibit "C" attached hereto, is a schedule showing the percentage of participation credited to each Tract in the Unit Area based upon a presumed one hundred percent (100%) commitment. (Tract means each parcel of land described as



such and given a Tract Number on Exhibit "B". Tracts are based on Communitization Agreements as described in Exhibit "D", heretofore approved by the Supervisor as hereinafter defined, as contracted by amendment of Communitization Agreement - SW-662, and as approved as non-standard drilling and proration units by the Oil Conservation Commission of New Mexico.) However, nothing herein or in said schedule or map shall be construed as a representation by any party as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", and not less than four (4) copies of the revised exhibits shall be filed with the Supervisor.

SECTION 3. EXPANSION OF UNIT AREA. It is recognized that at some time or times in the future it might be desirable and beneficial to expand the Unit Area to include therein additional Tracts of land. The Unit Area may, therefore, with the approval of the Director of the United States Geological Survey, hereinafter referred to as "Director", be expanded to include therein any additional lands whenever such expansion is necessary or advisable to conform with the purposes of this Agreement, and with prior consent of the Director and Unit Operator, acting on behalf of the Working Interest Owners collectively, after being duly authorized by them as provided for in the

Unit Operating Agreement, has negotiated an agreement or agreements with the owners of such lands fixing the tract participation of each Tract providing for the commitment of the interests of such owners to this Agreement and to the Unit Operating Agreement. Whenever the Unit Area is enlarged so as to admit additional land, qualified for participation, Exhibit "C" shall be revised as set forth in Section 12, Participation and Allocation of Production. Any such expansion shall be effected in the following manner:

- (a) Unit Operator, on its own motion, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefore, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.
- (b) Said notice shall be delivered to the Supervisor, and copies thereof mailed to the last known address of each Working Interest Owner, Lessee, and Lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.
- (c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application (with appropriate joinders in sufficient number) for approval of such expansion.

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

SECTION 4. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this Agreement as provided in Section 5, Tracts Qualified for Participation, as to the Unitized formation defined immediately below, shall constitute land referred to herein as "Unitized Land" or "land subject to this Agreement". All oil, gas, gaseous substances, sulphur contained in gas, condensate, and all associated and constituent liquid or liquefiable hydrocarbons in the Unitized Formation are unitized under the terms of this Agreement and herein are called "Unitized Substances".

"Unitized Formation" is defined as the Entrada formation found between the depths of 5218' and 5264' in the Fluid Power Pump well No. 1, located 1980' FSL and 330' FWL, Section 14, Township 19 North, Range 3 West, N.M.P.M., on the electric log of said well run on October 22, 1971.

SECTION 5. TRACTS QUALIFIED FOR PARTICIPATION. Inasmuch as the objective of this Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, no joinder shall be considered a commitment to this Agreement unless the Tract involved is qualified under this Section. On or after the effective date hereof, the Tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those Tracts within the Unit Area more particularly described in Exhibit "B" that are qualified as

follows (for the purposes of this section, the record interest shall replace the royalty interest as to Federal land):

(a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning seventy-five percent (75%) or more of the royalty created by the basic leases have signed or ratified this Agreement;

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning less than seventy-five percent (75%) of the royalty interests created by the basic leases have signed or ratified this agreement, and as to which

(1) all Working Interest Owners in such Tract join in a request for inclusion of such Tract in Unit Participation upon the basis of such commitment status, and further as to which (2) seventy-five percent (75%) or more of the combined voting interest of Working Interest Owners in all Tracts which meet the requirements of Subsection 5(a) vote in favor of the acceptance of such Tract as qualified. For the purpose of this Subsection 5(b), the voting interest of each Working Interest Owner shall be equal to the ratio

(expressed in percentage) which the total of such Working Interest Owner's percentage participation in all Tracts which qualify under Subsection 5(a), bears to the total percentage participation of all Working Interest Owners in all Tracts which qualify under said Subsection 5(a) as such percentages are shown on Exhibit "C";

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, regardless of the percentage of royalty interest therein that is committed hereto, and as to which (1) the Working Interest Owners who operate the Tract and all of the other subscribing Working Interest Owners in such Tract have joined in a request for inclusion of such Tract in Unit participation upon the basis of such commitment status and have tendered and executed and delivered an indemnity agreement, indemnifying and agreeing to hold the owners of the working interests in the other qualified Tracts harmless from and against any and all claims and demands that may be made by the non-subscribing Working Interest Owners in such Tract on account of the inclusion of the same in Unit participation, and further as to which (2) seventy-five percent (75%) or more of the combined voting interests of the Working Interest Owners in all Tracts which meet the requirements of Subsections 5(a) and 5(b) above, vote in favor of the inclusion of such Tract. For the purpose of this Subsection 5(c), the voting interest of each Working

Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's percentage participation attributed to Tracts which qualify under Subsections 5(a) and 5(b) bears to the total percentage of all Working Interest Owners attributed to all Tracts which qualify under Subsections 5(a) and 5(b), as such percentages are set out in Exhibit "C".

SECTION 6. UNIT OPERATOR. Petro-Lewis Corporation is hereby designated as Unit Operator, and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the Owner of a Working Interest when such an interest is owned by it.

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 that Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners, the Supervisor, and until all wells are placed in a satisfactory

condition for suspension or abandonment whichever is required by the Supervisor, unless a new Unit Operator shall have been selected and accepted and shall have taken over and assumed the duties and obligations of Unit Operator prior to the Expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by an affirmative vote of Working Interest Owners representing at least ninety percent (90%) of the voting interest remaining after excluding the voting interest of the Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor. In all such instances of resignation or removal, until a successor Unit Operator is selected and accepted as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its rights, 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, materials

and appurtenances used in conducting the Unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material equipment and appurtenances needed for the preservation of any wells.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by Working Interest Owners, a successor Unit Operator shall be selected by Working Interest Owners voting according to their respective Tract participation in all unitized land by a majority vote, provided, that, if a majority but less than 80 percent of the Working Interests qualified to vote are owned by one party to this Agreement, a concurring vote of one or more additional Working Interest Owners shall be required to select a new Operator. Such selection shall not become effective until:

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

(b) The selection shall have been approved by the Supervisor.

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



SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of Working Interest, costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid and apportioned among and borne by the owners of Working Interests, all in accordance with the agreement or agreements, whether one or more, separately or collectively, entered into by and between the Unit Operator and the owners of Working Interests. Any agreement or agreements, whether one or more, entered into between the Working Interest Owners and the Unit Operator as provided in this section are herein referred to as the "Unit Operating Agreement".

Such Unit Operating Agreement shall also set forth such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this 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. Two (2) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor prior to approval of this Agreement, and thereafter promptly after any revision or amendment.

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, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator upon his request 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 purpose herein specified.

SECTION 11. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that the Unit Area is developed and productive, and only such drilling as is incidental to a secondary recovery or pressure maintenance program is contemplated.

Inasmuch as the primary purpose of this Agreement is to permit the institution and consummation of a secondary recovery or pressure maintenance program for the maximum economic production of Unitized Substances consistent with good engineering and conservation practices, Unit Operator, concurrently with the filing of this Agreement for approval shall submit to the Supervisor, a Plan of Operation for the Unitized Land, and upon approval thereof by the Supervisor, such plan shall constitute the future 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; said plan or plans shall be modified or supplemented when necessary to meet changed conditions, or to protect the interest of all parties to this Agreement. Reasonable diligence shall be exercised in complying with the obligations of any approved Plan of Operation.

Unit Operator shall have the right to inject into the Unitized Formation any substances for secondary recovery or pressure maintenance purposes in accordance with a Plan of Operation approved by the Supervisor, including the right to drill and maintain injection wells on the Unitized Land and completed in the Unitized Formation, and to use abandoned well or wells producing from the Unitized Formation for said purpose, and the parties hereto, to the extent of their rights and interests, hereby grant to the Unit Operator the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for the operation and the development of the Unit Area hereunder. Unit operator shall have free use of water from the Unitized Land for operations hereunder and for operations on adjacent lands except water from Surface Owner's and Royalty Owner's fresh water wells, private lakes, ponds or irrigation ditches.

SECTION 12. 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 if all Tracts in the Unit Area qualify as provided herein. The Tract Participations of each Tract as shown in Exhibit "C" were determined in accordance with the following formula:

A single phase formula based on:

- 30% Floodable Acre Feet
- 25% Present Productive Acres
- 25% Production Prior to Installation  
of High Volume Lift Equipment
- 20% Cumulative Production

the terms utilized in the formula being defined as follows:

"Floodable Acre Feet" - The volume of reservoir which has not been affected by water influx as of June 1, 1974.

"Present Productive Acres" - The area within the ten-foot isopach contour as shown on the isopach maps contained in the Engineering Report, Exhibit "E".

"Production Prior to Installation of High Volume Lift Equipment" - Production for the months of May, June and July, 1973.

"Cumulative Production" - All production from the Pool prior to May 31, 1974.

Promptly after approval of this Agreement, if all Tracts are not qualified hereto, Unit Operator shall revise Exhibit "C" to show all Tracts qualified for participation under this Agreement by setting forth opposite each Tract a revised Tract Participation therefor, which shall be calculated by using the same Tract factors and formulas which were used to arrive at the Tract Participation of each Tract as set out in the original Exhibit "C" but applying the same only to those Tracts which are qualified for participation as of the effective date of this Agreement. Said revised Exhibit "C" shall be subject to approval by the Supervisor and shall be effective as of the effective date of this Agreement.

If after the effective date of this Agreement any Tract or Tracts are subsequently committed hereto and qualified because of expansion of the Unit Area under Section 3, Expansion of Unit Area, or any tract or tracts are subsequently qualified under the provisions of Section 5, Tracts Qualified for Participation or under the provisions of Section 30, Subsequent Joinder, or if any Tract is eliminated from this Agreement as provided in Section 29, Loss of Title, the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator to show the new Tract Participation of all the then qualified Tracts, and the revised Exhibit "C", upon approval by the Supervisor, shall govern the allocation of production from the effective date thereof until a new schedule is so approved. 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.

On the effective date of this Agreement, and thereafter, all Unitized Substances produced hereunder (except any part thereof used in conformity with good operating practices for drilling, operating, camp and other production or development purposes, for pressure maintenance or secondary recovery operations in accordance with a plan of operation approved by the Supervisor, or unavoidably lost), shall be deemed to be produced from the several Tracts of Unitized Land, and for the purpose of determining any benefits accruing under this Agreement each such Tract shall have allocated to it that percentage

of said production equal to its Tract Participation effective hereunder during the respective period such Unitized Substances were produced, as set out in Exhibit "C".

The amount of Unitized Substances allocated to each Tract shall be deemed to be produced from such Tract irrespective of the location of the wells from which the same is produced and regardless of depletion of wells or Tracts. In the absence of a controlling contract or agreement to the contrary, when two or more leases, or part or parts thereof, have been combined into a single Tract, the percentage participation assigned to such Tract shall for all purposes be divided among the separate leases, or part or parts thereof which has been put into such Tract, in proportion to the number of surface acres of the leases, or part or parts thereof contained in such Tract, to the total surface acres contained in said Tract.

SECTION 13. ROYALTY SETTLEMENT. The State of New Mexico, the United States and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefore under existing contracts, laws and regulations on or before the last day of each month for

Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

If natural gasoline, liquid petroleum gas fractions or other liquid hydrocarbon substances (herein collectively called "LPG's") which were not extracted from gas produced from the Unitized Formation are injected into the Unitized Formation, which shall be in conformity with a plan of Operation first approved by the Supervisor, Working Interest Owners shall be entitled to recover, royalty free, part or all of such "LPG's" pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor.

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

SECTION 14. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefore 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 and minimum royalty for lands of the United States subject to this Agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary of the Interior of the United States hereinafter referred to as "Secretary", or his duly authorized representative.

SECTION 15. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to



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

SECTION 16. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this Agreement or, with prior consent of the Director pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Supervisor. In the event compensatory royalty is so paid, it shall be treated in the same manner as Unitized Substances.

SECTION 17. GAUGE OR MERCHANTABLE OIL. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the Unit Area and associated with the operation of Unitized Land in order to ascertain the amount of merchantable oil above the pipeline connections in such tanks on the effective date hereof. All such oil shall be and remain the property of the parties entitled thereto the same as if this Agreement had not been made effective; and such parties shall promptly remove said oil from said tanks. Any such oil not so removed shall be sold by Unit Operator for the account of parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the terms and provisions of the applicable lease, leases, or other contracts. If, as of the effective date hereof, any Tract of Unitized Land is overproduced with respect to the allowable of the

wells on such Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction 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 18. LEASE AND CONTRACTS CONFORMED AND EXTENDED.

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

- (a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned Tract subject to this Agreement, regardless of whether there is any develop-

ment of any particular part or Tract of the Unitized Land, notwithstanding anything to the contrary in any lease, operating agreement, communitization agreement, or other contracts by and between the parties hereto, or their respective predecessors in interest, or any of them.

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

(c) Suspension of drilling or producing operations on all Unitized Land pursuant to direction or consent of the Secretary or his duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of Unitized Land.

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

(e) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any

applicable laws, shall continue in force and effect thereafter.

(f) 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 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates and any grant, transfer, or conveyance, of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any Working Interest shall be binding upon Unit Operator nor shall any transfer

of any Royalty Interest or other interest be binding on the Working Interest Owners responsible for payment or settlement thereof, until the first day of the calendar month after Unit Operator or the responsible Working Interest Owner, as the case may be, is furnished with the original, photostat or certified copy of the instrument of transfer.

SECTION 20. EFFECTIVE DATE. This Agreement shall become binding upon each party who executes or ratifies it as of date of execution or ratification by such party and shall become effective the first day of the calendar month next following the approval of this Agreement by the Secretary or his duly authorized delegate; and provided further, that if this Agreement is not filed for approval on or before \_\_\_\_\_, this Agreement 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 whose voting interest as provided in Section 4.3.1 of the Unit Operating Agreement aggregate at least sixty percent (60%) and Working Interest Owners whose voting interest as above defined aggregate at least sixty percent (60%) of the Unit Area then committed to this Agreement have voted to extend such expiration date for a period not to exceed six (6) months. If said expiration date is so extended and this Agreement is not filed for approval by the Supervisor on or before said extended expiration date this Agreement shall ipso facto expire 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 or offices where a counterpart of this Agreement is recorded, a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date.

SECTION 21. TERM. The term of this Agreement shall be for and during the time that Unitized Substances can be produced in quantities sufficient to pay for the cost of producing same from wells on Unitized Land and for as long thereafter as drilling, reworking or other operations are prosecuted on Unitized Land without cessation of more than ninety (90) consecutive days, and so long thereafter as Unitized Substances can be produced as aforesaid, unless sooner terminated by the Director as provided in Section 8, Successor Unit Operator, or by Working Interest Owners as provided in Section 22, Termination by Working Interest Owners.

SECTION 22: TERMINATION BY WORKING INTEREST OWNERS:  
This Agreement may be terminated at any time by Working Interest Owners owning ninety percent (90%) or more of the participation percentage in the Unitized Land with the approval of the Supervisor and Commissioner. Notice of any such termination shall be given by the Unit Operator to all parties hereto.

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.

If not specified otherwise by the leases unitized

under this Agreement, basic Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

Unit Operator shall, within thirty (30) days after the termination of this Agreement has been determined, pursuant to Section 8 or 22 hereof, file for record in the office or offices where a counterpart of this Agreement is recorded, a certificate setting forth the fact of such termination and the date thereof.

SECTION 23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this Agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this Agreement when such alteration or

modification is in the interest of attaining the conservation objectives stated in this Agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held no less than fifteen (15) days from notice.

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

SECTION 25. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing or personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party at the address such party has furnished to the party sending the notice, demand or statement.

SECTION 26. NO WAIVER OR 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 of New Mexico, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, each party hereto except the United States covenants that during the existence of this Agreement, such party shall not resort to any action at law or in equity to partition the Unitized Land or the facilities used in the development or operation thereof and to that extent waives the benefits of all laws authorizing such partition.

SECTION 27. UNAVOIDABLE DELAY. All obligations under this Agreement, except the payment of money, 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 agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 28. NON-DISCRIMINATION. In connection with the performance of work under this Agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246,

30 F.R. 12319, as amended, which are hereby incorporated by reference in this Agreement.

SECTION 29. LOSS OF TITLE. In the event title to a 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 effective the first day of the calendar month in which such title failure 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 thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided that, as to State and Federal land or leases, no payment 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 Supervisor, 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.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents that it is the owner of a Royalty Interest in the Tract or Tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise, in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to

be the owner thereof shall be reduced proportionately and the interest of all parties in the affected Tract or Tracts shall be adjusted accordingly.

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

SECTION 30. SUBSEQUENT JOINDER. After the effective date of this Agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such equitable terms as may be negotiated by Working Interest Owners and the owner of such interest. After the effective date hereof, joinder by a Royalty Owner must be consented to in writing by the Working Interest Owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Interest. Joinder by any Royalty Owner at any time must be accompanied or preceded by appropriate joinder by the Owner of the corresponding Working Interest in order for the interest 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 the interest to be regarded as committed to this Agreement. Except as may otherwise herein be provided, subsequent joinders to this Agreement shall be effective as of the first day of the month following the filing with the Supervisor and Commissioner of duly executed counterparts of all or any papers necessary to establish

commitment of any Tract to this Agreement unless objection to such joinder is made within sixty (60) days by the Supervisor.

SECTION 31: COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above-described Unit Area.

In the event any of the parties hereto own both Working Interests and Royalty Interests, as such interests are shown on Exhibit "B", it shall not be necessary for such party to execute this Agreement in both capacities in order to commit both classes of interest. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity, provided said party also executes the Unit Operating Agreement as a Working Interest Owner.

SECTION 32. ROYALTY OWNERS 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, the State of New Mexico, or to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

SECTION 34. BORDER AGREEMENTS. Unit Operator, with concurrence of Working Interest Owners having a combined Unit Participation of seventy-five (75) percent or more, may, subject to approval of the Supervisor, enter into an agreement or agreements with the Working Interest Owners of adjacent lands with respect to the operations designed to increase ultimate recovery of oil and/or gas from the Unitized Formation, conserve natural resources, prevent waste, and protect the correlative rights of the parties.

SECTION 35: CORRECTION OF ERRORS. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this Agreement;

provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Supervisor. If any such corrections are made, Unit Operator shall file the required number of copies of the corrected pages of this Agreement or of the Exhibits hereto with the Supervisor. Unit Operator shall also provide, in conformance with Section 26, Notices, and such corrected pages to the parties hereto.

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

PETRO-LEWIS CORPORATION  
Unit Operator

By *[Signature]*  
President

ATTEST:

*J. Kenna Shipman*  
Asst. Secretary

DATED: \_\_\_\_\_

PARTNERSHIP PROPERTIES COMPANY  
Working Interest Owner

By *David G. Dumble*  
~~\_\_\_\_\_~~, General Partner *DK*

DATED: \_\_\_\_\_

FLUID POWER PUMP COMPANY  
Working Interest Owner

By *George J. Slaughter*  
President

ATTEST:

*Velma R. McCluskey*  
Secretary

DATED: 8-12-75

STATE OF Colorado )  
COUNTY OF Denver ) ss.

The foregoing instrument was acknowledged before me  
this 15<sup>th</sup> day of August, 1975, by Wilfred P.  
Ahren, V-P of PETRO LEWIS CORPORATION, a  
Colorado Corporation, on behalf of said  
Corporation.

(SEAL)

Caree J. McGehee  
NOTARY PUBLIC

My Commission Expires:

My Commission Expires Oct. 1, 1977

STATE OF Colorado )  
COUNTY OF Denver ) ss.

The foregoing instrument was acknowledged before me  
this 15<sup>th</sup> day of August, 1975, by David A.  
Frattley a General Partner on behalf of  
PARTNERSHIP PROPERTIES COMPANY, a limited partnership.

(SEAL)

Caree J. McGehee  
NOTARY PUBLIC

My Commission Expires:

My Commission Expires Oct. 1, 1977

STATE OF Illinois )  
COUNTY OF Shelby ) ss.

The foregoing instrument was acknowledged before me  
this 12<sup>th</sup> day of August, 1975, by George  
W. Staughton of FLUID POWER PUMP COMPANY, a  
Illinois Corporation, on behalf of said  
Corporation.

(SEAL)

George W. Staughton  
NOTARY PUBLIC

My Commission Expires:

May 1, 1979

**MEDIA ENTRADA UNIT AGREEMENT  
OVERRIDING ROYALTY OWNERS**

[illegible]



STATE OF )  
 )  
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me  
this \_\_\_\_ day of \_\_\_\_\_, 1975, by \_\_\_\_\_  
\_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:  
  
\_\_\_\_\_

STATE OF )  
 )  
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me  
this \_\_\_\_ day of \_\_\_\_\_, 1975, by \_\_\_\_\_  
\_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:  
  
\_\_\_\_\_

STATE OF )  
 )  
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me  
this \_\_\_\_ day of \_\_\_\_\_, 1975, by \_\_\_\_\_  
\_\_\_\_\_.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:  
  
\_\_\_\_\_

STATE OF )  
 )  
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me  
this \_\_\_\_ day of \_\_\_\_\_, by \_\_\_\_\_  
\_\_\_\_\_, of \_\_\_\_\_,  
a \_\_\_\_\_ Corporation, on behalf of said  
Corporation.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

STATE OF )  
 )  
COUNTY OF ) ss.

The foregoing instrument was acknowledged before me  
this \_\_\_\_ day of \_\_\_\_\_, by \_\_\_\_\_  
\_\_\_\_\_, of \_\_\_\_\_,  
a \_\_\_\_\_ Corporation, on behalf of said  
Corporation.

(SEAL)

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

\_\_\_\_\_

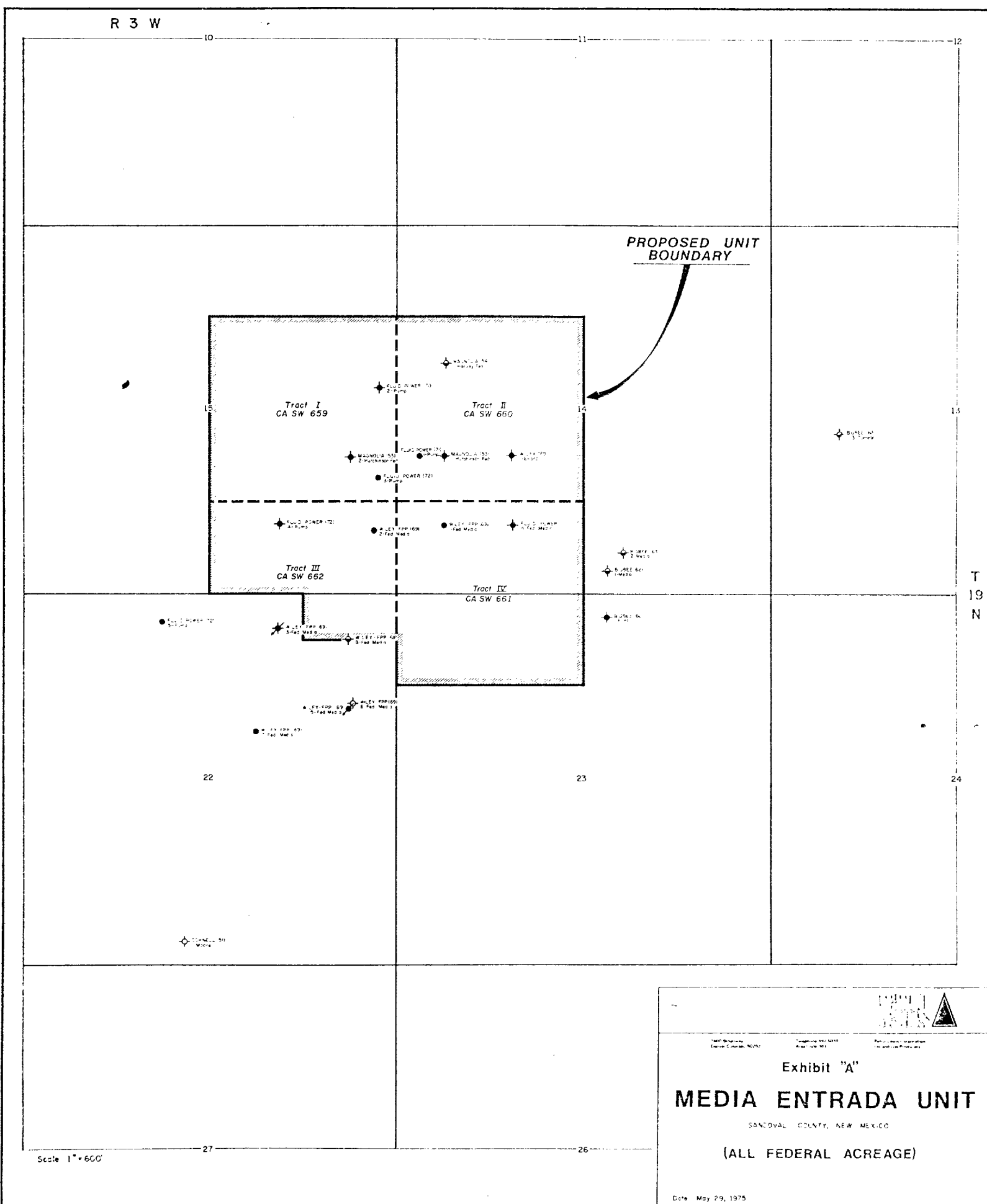


EXHIBIT "B"  
TO THE UNIT AGREEMENT FOR MEDIA ENTRADA UNIT, SANDOVAL COUNTY, NEW MEXICO

| TRACT NO. | DESCRIPTION OF LAND                | NO. OF ACRES | SERIAL NUMBER              | BASIC ROYALTY<br>& PERCENTAGE                          | RECORD LESSEE<br>& PERCENTAGE  | OVERRIDING ROYALTY<br>& PERCENTAGE  | WORKING INTEREST OWNER<br>& PERCENTAGE                           |
|-----------|------------------------------------|--------------|----------------------------|--|--|---|--|
| 1*        | 7-19-N, R-3W<br>Sec. 15: NE/4 SE/4 | 40           | NM-12012<br>10/1/70<br>HBP | USA-All<br>12.5% - 25%<br>Oil<br>12.5% - 16.75%<br>Gas | Partnership Properties Co.<br>50%<br>Fluid Power Pump Company<br>50% | Butler & Colberg<br>Val R. Reese<br>Partnership Properties Co.<br>Texas Northeast Oil & Gas Company<br>F. H. Hartman<br>John M. Beard<br>Beard Oil Company<br>Bruce Anderson<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil & Gas Co. | Partnership Properties Co.<br>50%<br>Fluid Power Pump Co.<br>50% |
|           | Sec. 15: S/2 NE/4 NW/4 SE/4        | 120          | NM-043286<br>9/1/59<br>HBP | USA-All<br>12.5%                                       |  |   |  |

| <u>TRACT NO.</u> | <u>DESCRIPTION OF LAND</u>      | <u>NO. OF<br/>ACRES</u> | <u>SERIAL NUMBER</u>         | <u>BASIC ROYALTY<br/>&amp; PERCENTAGE</u>                         | <u>RECORD LESSEE<br/>&amp; PERCENTAGE</u>                                  | <u>OVERRIDING ROYALTY<br/>&amp; PERCENTAGE</u>  | <u>WORKING INTEREST OWNER<br/>&amp; PERCENTAGE</u>                     |
|------------------|---------------------------------|-------------------------|------------------------------|---|--|---|--|
| 2*               | T-19-N-R3W<br>Sec. 14: S/2 NW/4 | 80                      | NM-043286<br>9/1/59<br>HBP   | USA-A11<br>12.5%  | Partnership<br>Properties Co.<br>50%<br>Fluid Power<br>Pump Company<br>50% | Butler & Colberg<br>Val R. Reese<br>Partnership Properties Co.<br>Texas Northeast Oil<br>& Gas Company<br>F. H. Hartman<br>John M. Beard<br>Beard Oil Company<br>Bruce Anderson<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil<br>& Gas Company | Partnership Properties<br>Co.<br>50%<br>Fluid Power Pump<br>Co.<br>50% |
|                  | Sec. 14: NE/4 SW/4              | 40                      | NM-043286-A<br>9/1/59<br>HBP | USA-A11<br>12.5%  |  | F. H. Hartman<br>John M. Beard<br>Beard Oil Company<br>Bruce Anderson<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil<br>& Gas Company   |  |
|                  | Sec. 14: NW/4 SW/4              | 40                      | NM-12012<br>10/1/70<br>HBP   | USA-A11<br>Sliding Scale<br>12.5% - 25% Oil<br>12.5% - 16.75% gas |  | Butler & Colberg<br>Val R. Reese<br>Partnership Properties Co.<br>Texas Northeast Oil<br>& Gas Company  |  |

| TRACT NO. | DESCRIPTION OF LAND               | NO. OF ACRES | SERIAL NUMBER                | BASIC ROYALTY & PERCENTAGE | RECORD LESSEE & PERCENTAGE  | OVERRIDING ROYALTY & PERCENTAGE  | WORKING INTEREST & PERCENTAGE                                    |
|-----------|-----------------------------------|--------------|------------------------------|----------------------------|---|--|--|
| 3*        | T-19-N-R-3W<br>Sec. 15: SW/4 SE/4 | 40           | NM-043286<br>9/1/59<br>HBP   | USA-All<br>12.5%           | Partnership Properties Co.<br>50%<br>Fluid Power Pump Company<br>50%  | F. H. Hartman<br>John M. Beard<br>Beard Oil Co.<br>Bruce Anderson<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil & Gas Co. | Partnership Properties Co.<br>50%<br>Fluid Power Pump Co.<br>50% |
|           | Sec. 15: SE/4 SE/4                | 40           | NM-058122<br>2/1/60<br>HBP   | USA-All<br>12.5%           | R. E. McKenzie Jr. and<br>Agatha P. McKenzie<br>Eugenia Bate<br>Barbara Talento<br>John K. Reimer and<br>Geraldine P. Reimer<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil & Gas Co. | 1.0000%<br>.5000%<br>.5000%<br>5.0000%<br>1.0000%<br>.2500%<br>7.4250%<br>.8250%   |  |
|           | Sec. 22: N/2 NE/4 NE/4            | 20           | NM-045884A<br>12/1/59<br>HBP | USA-All<br>12.5%           | Duncan Miller<br>R. O. Burbridge<br>Partnership Properties Co.<br>Val R. Reese<br>Butler & Colberg<br>Texas Northeast Oil & Gas Co.   | 5.0000%<br>3.0000%<br>5.9250%<br>1.7500%<br>.2500%<br>.5750%   |  |

| TRACT NO. | DESCRIPTION OF LAND              | NO. OF<br>ACRES | SERIAL NUMBER              | BASIC ROYALTY<br>& PERCENTAGE | RECORD LESSEE<br>& PERCENTAGE   | OVERRIDING ROYALTY<br>& PERCENTAGE  | WORKING INTEREST OWNER<br>& PERCENTAGE                           |
|-----------|----------------------------------|-----------------|----------------------------|-------------------------------|---|---|--|
| 4*        | T-19-N-R3W<br>Sec. 14: SE/4 SW/4 | 40              | NM-043286<br>9/1/59<br>HBP | USA-All<br>12.5%              | Partnership<br>Properties Co.<br>50%<br>Fluid Power<br>Pump Company<br>50%  | F. H. Hartman<br>John M. Beard<br>Beard Oil Co.<br>Bruce Anderson<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil<br>& Gas Co.   | Partnership Properties<br>Co. 50%<br>Fluid Power Pump<br>Co. 50% |
|           | Sec. 14: SW/4 SW/4               | 40              | NM-058122<br>2/1/60<br>HBP | USA-All<br>12.5%              |   | R. E. McKenzie Jr. and<br>Agatha McKenzie<br>Eugenia Bate<br>Barbara Talento<br>John K. Reimer and<br>Geraldine P. Reimer<br>Val R. Reese<br>Butler & Colberg<br>Partnership Properties Co.<br>Texas Northeast Oil<br>& Gas Co. |  |
|           | Sec. 23: N/2 NW/4                | 80              | NM-8393A<br>1/1/69<br>HBP  | USA-All<br>12.5%              | Billie Robinson<br>Partnership Properties Co.<br>Val R. Reese<br>Butler & Colberg<br>Texas Northeast Oil &<br>Gas Company |   |  |

\*The individual leases in Tracts 1, 2, 3 and 4 have been communitized as to each individual tract, as shown on Exhibit "D" attached to the Unit Agreement.

# EXHIBIT "C" TO UNIT AGREEMENT

## MEDIA ENTRADA UNIT

| <u>TRACT NO.</u> | <u>DESCRIPTION</u>  | <u>PARTICIPATION (%)</u> |
|------------------|---|--------------------------|
| 1                | Sec. 15, T19N, R3W<br>S/2 NE/4 & N/2 SE/4                               | 18.4592                  |
| 2                | Sec. 14, T19N, R3W<br>S/2 NW/4 & N/2 SW/4                               | 35.3247                  |
| 3                | Sec. 15, T19N, R3W<br>S/2 SE/4 &<br>Sec. 22, T19N, R3W<br>N/2 NE/4 NE/4 | 24.2523                  |
| 4                | Sec. 14, T19N, R3W<br>S/2 SW/4 &<br>Sec. 23, T19N, R3W<br>N/2 NW/4      | 21.9638                  |
|                  |   | <u>100.0000%</u>         |



EXHIBIT "D" TO UNIT AGREEMENT

MEDIA ENTRADA UNIT

COMMUNITIZATION AGREEMENTS  
AND DESCRIPTION

|   |                  |
|---|------------------|
| Communitization Agreement<br>Com. Agr. - SW-659, dated 7/28/72<br>S/2 NE/4 & N/2 SE/4 Sec. 15,<br>T19N, R3W, NMPM                             | 18.4592          |
| Communitization Agreement<br>Com. Agr. - SW-660, dated 7/28/72<br>S/2 SW/4 & N/2 SW/4 Sec. 14,<br>T19N, R3W, NMPM                             | 35.3247          |
| Communitization Agreement<br>Com. Agr. - SW-662, dated 8/1/72<br>(as amended) S/2 SE/4 Sec. 15 &<br>N/2 NE/4 NE/4 Sec. 22,<br>T19N, R3W, NMPM | 24.2523          |
| Communitization Agreement<br>Com. Agr. - SW-661 dated 7/28/72<br>S/2 SW/4 Sec. 14 & N/2 NW/4<br>Sec. 23, T19N, R3W, NMPM                      | 21.9638          |
|   | <u>100.0000%</u> |



# United States Department of the Interior

GEOLOGICAL SURVEY  
Drawer 1857  
Roswell, New Mexico 88201

October 10, 1975

Petro-Lewis Corporation  
Attention: Mr. Dave Kahn  
P.O. Box 2250  
Denver, Colorado 80201

Gentlemen:

Three approved copies of the Media Entrada unit agreement, Sandoval County, New Mexico, with Petro-Lewis Corporation as unit operator, are enclosed. Such agreement has been assigned No. 14-08-0001-14269 and is effective November 1, 1975, the first day of the next calendar month following the approval as of this date of October 10, 1975.

You are requested to furnish the New Mexico Oil Conservation Commission and all other interested principals with appropriate evidence of this approval.

Sincerely yours,

G. R. DANIELS  
Acting Area Oil and Gas Supervisor

cc:

✓ NMOCC, Santa Fe (ltr only)  
Jason W. Kellahin, P.O. Box 1769, Santa Fe, NM 87501 (ltr only)  
Area Geologist, Roswell (ltr only)  
Durango (w/cy appln)

JAGillham:ds



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501

May 22, 1975

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER

STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR

Mr. Jason Kellahin  
Kellahin & Fox  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: CASE NO. 5464  
ORDER NO. R-5016

Applicant:

Petro-Lewis Corporation

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.  
Secretary-Director

ALP/ir

Copy of order also sent to:

|             |                                   |
|-------------|-----------------------------------|
| Hobbs OCC   | <u>          X          </u>      |
| Artesia OCC | <u>                          </u> |
| Aztec OCC   | <u>          X          </u>      |

Other Mr. George Hunker - Unit Division - Land Office