

MADURO UNIT AREA  
GEOLOGIC REPORT

BEFORE THE	ER STAMER'S
OIL & GAS	N DIVISION
October 27, 1978	NO. 5
CASE NO.	6516
Submitted by	Shur
Hearing Date	

The recommended Maduro Unit area is in west central ~~Lea County, New Mexico~~, about 30 miles west of the city of Hobbs. The prospect is named from the Spanish meaning mature or ripe as there were no distinguishing topographic features nearby. The Unit is just north of the Delaware Basin at the south edge of the Northwest Shelf. The Unit will include all formations from the surface. There are no producing wells within the proposed unit outline. The Edward E. Kinney No. 1 Magnolia State was completed from the Yates on 7-9-54, but was abandoned in 1959 after producing 19,728 barrels of oil. This well was located 660' FNL and 1980' FEL of Section 32, T-19-S, R-33-E. Union Oil Company of California proposes to drill a 13,700' Morrow well located in the SE/4 of Section 29, T-19-S, R-33-E, to penetrate the Morrow potential producing zones, but not to exceed 13,700'.

The Maduro Prospect is expected to produce gas from Middle and Lower Morrow sands and possibly the Wolfcamp. There is a remote chance of oil production in the shallow Yates as it is productive in the nearby South Tonto Yates Field to the west. The expected productive limit of the Morrow is shown on the included Structure Map contoured on T/Lower Morrow. The proposed unit outline is dictated by the configuration of the productive area. The prospect is situated on Middle and Lower Morrow sand fairways. These sands are believed to be draped over the structural feature and consequently could be wet at a lower structural position. This explains the estimated G/W contact shown in red on the included map. The Unit is to include all of Sections 28 and 29, the south half of Sections 20 and 21, and the north half of Sections 32 and 33, T-19-S, R-33-E. The above includes all 1/2 sections cut by the lowest closing contour.

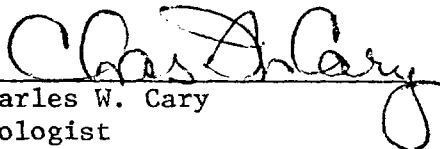
Sands of the Morrow formation are present in the Maduro area as discrete, elongate bodies. The sands are generally gas productive where they are porous and cross structural highs. Numerous wells within five miles of the proposed unit are productive from Morrow sands as shown by color coding on the included map. The Pan American No. 1 West Tonto Unit well in Section 18 is on the Morrow sand fairway northwest of the proposed Maduro Unit well. It started production in 1966 and produced 1.3 BCFG and 20,000 BO before being plugged in February, 1978. The Atlantic Richfield #1 Mahaffey well in Section 14, T-20-S, R-33-E, is on the Morrow sand fairway southeast of the proposed well. It has produced 1.3 BCFG and 14,000 BO since 1963 and is now producing about 1 MMCFG per week. This well has also produced 127,465 BO from the Bone Spring. Both of the above wells appear on the included cross section A-A'.

Other potential producing zones include the Yates and Wolfcamp. The Yates was oil productive in Section 32 within the Unit outline in the Kinney Magnolia State well but was abandoned in 1959. It is productive in the South Tonto Yates Field adjacent to the unit to the west in Sections 19 and 30. The Wolfcamp was oil productive in the King Resources No. 1 Kimo

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Sabe in Section 16 and the Pan American No. 1 Laguna Plata well in Section 22. Both wells have been abandoned.

The very favorable structural location of the proposed well squarely on the Middle and Lower Morrow sand fairways indicates Union's location should be superior to the surrounding control wells.

  
Charles W. Cary  
Geologist

CWC/skp  
Enclosure

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the MADURO UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-16-79 Virginia Lee Saunders  
Address: Box 1536  
Santa Fe, N.M. 87501  
Virginia Lee Saunders  
(Royalty or Overriding Royalty OWNER)

STATE OF New Mexico,    §  
COUNTY OF Santa Fe    § SS. (Individual)

The foregoing instrument was acknowledged before me this 16 day of April, 19 79, by Virginia Lee Saunders.

My Commission expires: 12-2-79 Berlinda J. Ortiz  
Notary Public

STATE OF \_\_\_\_\_,    §  
COUNTY OF \_\_\_\_\_ § SS. (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the MADURO UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-16-79  
Address: \_\_\_\_\_  
P. O. BOX 1658  
CARLSBAD, N.M. 88220

Robert S. Light and JoAnna W. Light,  
d/b/a "The Light Company"  
(Royalty or Overriding Royalty OWNER)

STATE OF NEW MEXICO,    §  
COUNTY OF EDDY            §    SS. (Individual)

The foregoing instrument was acknowledged before me this 11th day of APRIL, 1979, by Robert S. Light and Jo Anna W. Light, d/b/a/ "The Light Co..

My Commission expires: 8-5-82  
Dorothy Brundage  
Notary Public

STATE OF \_\_\_\_\_,    §  
COUNTY OF \_\_\_\_\_ §    SS. (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the MADURO UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 9, 1979 Elizabeth W. Mendez  
Address: 11725 Livestock Elizabeth W. Mendez  
Albuquerque, NM 87111 (Royalty or Overriding Royalty OWNER)

STATE OF N.M., §  
COUNTY OF Bernalillo. § SS. (Individual)

The foregoing instrument was acknowledged before me this 9 day of April, 1979, by Elizabeth W. Mendez.

My Commission expires: 12-11-82 Gene H. Kerating  
Notary Public

STATE OF \_\_\_\_\_, §  
COUNTY OF \_\_\_\_\_. § SS. (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the MADURO UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-11-79

Address: 1312 ALPHA

CARLSBAD - N. M. 88220

J. Ray Hobbs  
J. Ray Hobbs

(Royalty or Overriding Royalty OWNER)

STATE OF NEW MEXICO,    §  
COUNTY OF EDDY.    § SS. (Individual)

The foregoing instrument was acknowledged before me this 11TH day of APRIL, 19 79, by J. Ray Hobbs.

My Commission expires:  
25th of May, 1982

[Signature]  
Notary (Public)

STATE OF \_\_\_\_\_,    §  
COUNTY OF \_\_\_\_\_.    § SS. (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires:

\_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the MADURO UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-11-79

Donald L. Killgore  
Donald ~~Ray~~ Killgore

Address: 1809 Salana

Carlsbad N. Mex.

(Royalty or Overriding Royalty OWNER)

STATE OF NEW MEXICO,  
COUNTY OF EDDY.    § SS. (Individual)

The foregoing instrument was acknowledged before me this 11th day of APRIL, 1979, by Donald L. Killgore.

My Commission expires:  
25th of May, 1982

[Signature]  
Notary Public

STATE OF \_\_\_\_\_,  
COUNTY OF \_\_\_\_\_.    § SS. (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires:

\_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

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WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

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IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 10, 1979  
Address: PO Box 1359  
Carlsbad, NM 88220

Ruth Lazenby A.V.P. & A.T.  
Carlsbad National Bank, Trustee for  
Bradley T. Light, Robert M. Light  
Stanley W. Light, Neil T. Christensen,  
(Royalty or Overriding Royalty OWNER)  
and Thayer P. Christensen

STATE OF \_\_\_\_\_, §  
COUNTY OF \_\_\_\_\_, § SS. (Individual)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

My Commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF New Mexico, §  
COUNTY OF Eddy, § SS. (Corporate)

The foregoing instrument was acknowledged before me this 10th day of April, 1979, by Ruth Lazenby,  
A.V.P. & A.T.O. of The Carlsbad National Bank,  
a N.M. corporation, on behalf of said corporation.

My Commission expires:  
April 8, 1981

July S. Montgomery  
Notary Public



CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-2-79

AMINOIL U S A , INC.

Address: 600 Western United Life Building  
Midland, Texas 79701

By: Bill W. Johnson  
CONTRACT AGENT  
(Working Interest OWNER)

THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally appeared BILL W. JOHNSON, known to me to be the Contract Agent of AMINOIL USA, INC., whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of said corporation, and that he executed the same as the act of said corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 2nd day of April 1979.

My Commission expires:

June 30, 1980

Leah Atchley  
Notary Public in and for Midland County,  
Texas

Leah Atchley

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-18-79  
Address: P. O. Box 86  
Midland, Texas 79702

William G. Ross  
*William G. Ross*  
(Working Interest OWNER)

STATE OF TEXAS,                    §  
COUNTY OF MIDLAND,           § SS.                    (Individual)

The foregoing instrument was acknowledged before me this 18th day of APRIL, 19 79, by William G. Ross.

My Commission expires:  
1-31-81

*Shirley O'Neal*  
Notary Public

STATE OF \_\_\_\_\_,                    §  
COUNTY OF \_\_\_\_\_,           § SS.                    (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 5, 1979 William A. Hudson  
Address: 1000 First National Bldg.  
Fort Worth, Texas 76102 (Working Interest OWNER)

STATE OF TEXAS,                    §  
COUNTY OF TARRANT.            § SS.                    (Individual)

The foregoing instrument was acknowledged before me this 5th day of April, 19 79, by William A. Hudson.

My Commission expires: 7/31/80 Virginia Clarke  
Notary Public

STATE OF \_\_\_\_\_,                    §  
COUNTY OF \_\_\_\_\_.                    § SS.                    (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_, by \_\_\_\_\_, of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 5, 1979

Estate of Edward R. Hudson, Deceased

Address: 1000 First National Bldg.

by: [Signature]

Fort Worth, Texas 76102

Trustee  
(Working Interest OWNER)

STATE OF TEXAS,      § SS.      (Individual)  
COUNTY OF TARRANT.      §

The foregoing instrument was acknowledged before me this 5th day of April, 19 79, by Edward R. Hudson, Jr.

My Commission expires:  
7/31/80

[Signature]  
Notary Public

STATE OF \_\_\_\_\_,      § SS.      (Corporate)  
COUNTY OF \_\_\_\_\_.      §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires:

\_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 16, 1979

Address: % Edward R. Hudson, Jr.  
1000 First National Bldg.  
Fort Worth, Texas 76102

B. D. Moore, Jr., and wife Eleanor Moore; David W. Moore, and wife Mary Lee Moore; Anita G. Moore and Kilburn G. Moore, Individually and as Attorney-in-Fact for Anita Moore Doyle, W. Lamar Doyle, Charles H. Moore, III, Paul Cooke Moore and Bartlett G. Moore; Carol Pauls Moore; Donald B. Moore; John Knox Hutchings Moore, Jr; and First Hutchings Sealy Nat'l Bank, Agent and Attorney-in-Fact for Kenneth R. Shelton, Jr., et al, and Trustee for Andrew M. Shelton, et al, Frances Moore Shelton Trust

BY: 

Edward R. Hudson, Jr., Agent and Attorney-in-Fact

(Working Interest Owner)

STATE OF TEXAS,  
COUNTY OF TARRANT.

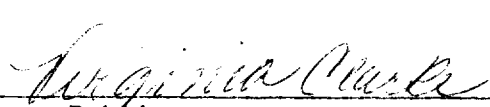
SS.

(Individual)

The foregoing instrument was acknowledged before me this 16 day of April, 19 79, by Edward R. Hudson, Jr., Agent and Attorney-in-Fact for B.D. Moore, Jr., and wife Eleanor Moore; David W. Moore, and wife Mary Lee Moore; Anita G. Moore and Kilburn G. Moore, Individually and as Attorney-in-Fact for Anita Moore Doyle, W. Lamar Doyle, Charles H. Moore, III, Paul Cooke Moore and Bartlett G. Moore; Carol Pauls Moore; Donald B. Moore; John Knox Hutchings Moore, Jr; and First Hutchings Sealy Nat'l Bank, Agent and Attorney-in-Fact for Kenneth R. Shelton, Jr., et al, and Trustee for Andrew M. Shelton, et al, Frances Moore Shelton Trust.

My Commission expires:

7/31/80

  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4/12/79  
Address: % Edward R. Hudson, Jr.  
1000 First National Bldg.  
Fort Worth, Texas 76102

E. E. Unger

E. E. Unger  
(Working Interest OWNER)

STATE OF New Mexico, § SS. (Individual)  
COUNTY OF San Miguel, §

The foregoing instrument was acknowledged before me this 17th day of April, 19 79, by E. E. Unger.

My Commission expires: October 2, 1980

Joyce E. Litherland  
Notary Public

STATE OF \_\_\_\_\_, § SS. (Corporate)  
COUNTY OF \_\_\_\_\_, §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: 4-16-79  
Address: P. O. Box 1150  
Midland, Texas 79702

GULF OIL CORPORATION RAH  
By: J. A. Hord Ref  
(Working Interest OWNER) 112 RRP Int

STATE OF \_\_\_\_\_, § SS. (Individual)  
COUNTY OF \_\_\_\_\_, §

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

My Commission expires: \_\_\_\_\_  
Notary Public

STATE OF Texas, § SS. (Corporate)  
COUNTY OF Midland, §

The foregoing instrument was acknowledged before me this 1626 day of April, 1979, by J. A. HORD,  
Attorney in fact of GULF OIL CORPORATION,  
a PENNSYLVANIA corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_  
SYLVIA W. ZORN — Notary Public  
In and for Midland County, Texas

My Commission Expires August 13, 1980

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 25, 1979

Address: P. O. Box 1959  
Midland, Texas 79702

CONTINENTAL OIL COMPANY

L. F. Johnston

Attorney in Fact

(Working Interest OWNER)

STATE OF \_\_\_\_\_, §  
COUNTY OF \_\_\_\_\_, § SS. (Individual)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

My Commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF TEXAS, §  
COUNTY OF MIDLAND, § SS. (Corporate)

The foregoing instrument was acknowledged before me this 25th day of April, 19 79, by R. F. Johnston, Attorney in Fact,  
of Continental Oil Company,  
a Delaware corporation, on behalf of said corporation.

My Commission expires:  
June 30, 1980

Madame Bice  
Notary Public



CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, MADURO UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the Maduro Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: April 11, 1979

Northern Natural Gas Company

Address: 403 Wall Towers West

by: Willis F. Ammentorp

Midland, Texas 79702

Vice President

(Working Interest OWNER)

ATTEST: JR. Farrell

Assistant Secretary

STATE OF \_\_\_\_\_,

COUNTY OF \_\_\_\_\_.

§ SS.

(Individual)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_.

My Commission expires: \_\_\_\_\_

Notary Public

STATE OF TEXAS,

COUNTY OF HARRIS.

§ SS.

(Corporate)

The foregoing instrument was acknowledged before me this 11th day of April, 1979, by Willis F. Ammentorp,  
Vice President of Northern Natural Gas Company,  
a Delaware corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_

6-30-80

Notary Public

Union Oil and Gas Division: Central Region

Union Oil Company of California  
500 North Marienfeld, Midland, Texas 79701  
P.O. Box 671, Midland, Texas 79702  
Telephone (915) 682-9731



6516

Robert V. Lockhart  
District Land Manager  
Midland District

January 31, 1980

Oil Conservation Division  
Energy and Minerals Department  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attn: Mr. Joe D. Ramey, Director

Gentlemen:

Maduro Unit  
Maduro Prospect (8138)  
Lea County, New Mexico

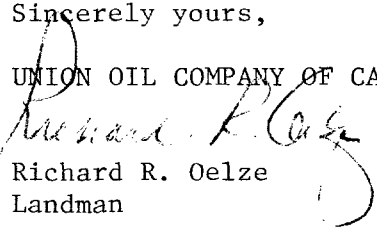
Enclosed for your reference and file please find copy of revised pages to Exhibit "A", Maduro Unit Operating Agreement. These revised pages (3,3a, and 3b) should be substituted for the single page 3 currently in your agreement file.

This revision was prepared at the request of Conoco to further define interest ownership resulting from assignments made by the farmout parties (Aminoil and Conoco). Also, it was necessary to set-forth the terms and definition of "payout" as it effects the farmout parties and those electing to accept farmins.

If you have any questions in this regard, please do not hesitate to ask.

Sincerely yours,

UNION OIL COMPANY OF CALIFORNIA

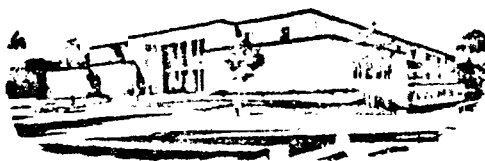
  
Richard R. Oelze  
Landman

RR0/jr  
Encls.

# State of New Mexico



ALEX J. ARMIJO  
COMMISSIONER



## Commissioner of Public Lands

November 15, 1979

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

Union Oil Company of California  
500 North Marienfeld  
P. O. Box 671  
Midland, Texas 79702

65/6

Re: Maduro Unit  
Lea County, New Mexico  
PLAN OF DEVELOPMENT AND  
OPERATION

ATTENTION: Mr. Richard R. Oelze

Gentlemen:

The Commissioner of Public Lands has this date approved your Plan of Development and Operation for the Maduro Unit, Lea County, New Mexico. This plan proposes the drilling of the second well during the last quarter of 1979. For the year 1980 your plans are to monitor the production of the first unit well and also the second unit well if it is a successful producer. Based on the production of these wells, your preliminary plan is to commence a third unit well in the latter half of 1980. Our approval is subject to like approval by the United States Geological Survey and the New Mexico Oil Conservation Division.

Enclosed is one approved copy of the the Plan of Development and Operation for your files.

Your Three (\$3.00) Dollar filing fee has been received.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division  
AC 505-827-2748

AJA/RDG/s  
encl.

cc: OCD-Santa Fe, New Mexico ✓  
USGS-Roswell, New Mexico  
USGS-Albuquerque, New Mexico

Union Oil and Gas Division: Central Region

Union Oil Company of California  
500 North Marienfeld, Midland, Texas 79701  
P.O. Box 671, Midland, Texas 79702  
Telephone (915) 682-9731



Robert V. Lockhart  
District Land Manager  
Midland District

December 18, 1979

Oil Conservation Division  
Energy and Minerals Department  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attn: Mr. Joe D. Ramey, Director

Gentlemen:

Case No. 6516  
Order No. R-5076  
Maduro Unit  
Lea County, New Mexico

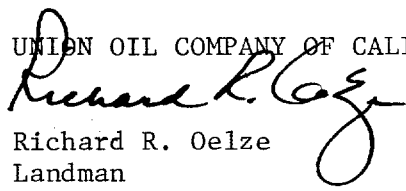
In connection with the captioned unit, we are enclosing the following material for your approval and file (pertaining to Tract 1):

- 1) Original Overriding Royalty Interest Owner Ratification signed by R.M. Young, Jr., and wife, Adele J. Young.
- 2) Original Consent to Ratification signed by The Superior Oil Company (consenting to the late joinder of R.M. Young, Jr., and wife).

With this mailing, all ratifications to the Maduro Unit are now complete. Thank you for your consideration in this matter.

Sincerely yours,

UNION OIL COMPANY OF CALIFORNIA

  
Richard R. Oelze  
Landman

RRO:ib  
Encls: 2

CONSENT, RATIFICATION AND JOINDER OF  
MADURO UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 20th day of March, 1979, by various persons conducting operations with respect to the MADURO UNIT AREA, located in Lea County, New Mexico, as more particularly described in said Agreement; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract within the Unit Area; and

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

Date: May 30th, 1979.

Address: P. O. Box 1234

Santa Fe, New Mexico 87501

R. M. Young, Jr.

Adele J. Young

(Royalty or Overriding Royalty OWNER)

STATE OF NEW MEXICO,      §  
COUNTY OF SANTA FE      § SS. (Individual)

The foregoing instrument was acknowledged before me this 30th day of May, 1979, by R. M. Young, Jr., and his wife, Adele J. Young.

My Commission expires:  
Feb. 15th, 1980.

Manuel Gonzalez  
Notary Public

STATE OF \_\_\_\_\_,      §  
COUNTY OF \_\_\_\_\_ § SS. (Corporate)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission expires:

\_\_\_\_\_  
Notary Public

CONSENT TO RATIFICATION AND JOINDER TO THE  
MADURO UNIT AGREEMENT  
DATED MARCH 20, 1979  
DESIGNATED NO. 14-08-0001-18028  
LEA COUNTY, NEW MEXICO

The undersigned working interest owner in the Maduro Unit Agreement and the Unit Operating Agreement, hereby consents to the joinder of the overriding royalty interest of R. M. Young, Jr. and wife, Adele J. Young, in Tract No. 1 described as:

Township 19 South, Range 33 East

Section 29: W/2 SW/4 & SW/4 NW/4

to said Unit Agreement.

ATTEST:

THE SUPERIOR OIL COMPANY

*[Signature]*  
Assistant Secretary

By *E. J. Dickinson*  
Vice President

DATE: August 22, 1979

Address: P. O. Box 71  
Conroe, Texas 77301

WORKING INTEREST OWNER

STATE OF TEXAS,           X  
                                  X  
COUNTY OF HARRIS.       X

The foregoing instrument was acknowledged before me this 22 day of August, 1979, by E. J. Dickinson, Vice President of THE SUPERIOR OIL COMPANY, a Nevada corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

My Commission expires:  
5-31-81

*[Signature]*  
Notary Public

MADURO FEDERAL UNIT  
WORKING INTEREST OWNER SCHEDULE

PROPOSED MADURO FEDERAL UNIT:

2,560 Total Acres in Unit Application located in T-19-S, R-33-E, NMPM,  
Lea County, New Mexico

I. CONSENTING WORKING INTEREST OWNERS TO UNIT PLAN

<u>OWNER NAME</u>	<u>NET ACRES</u>	<u>% INTEREST IN 2,560.00 ACRES IN TOTAL UNIT AREA</u>	<u>% INTEREST IN 2,480.00 ACRES CONSENTING TO UNIT PLAN</u>
Union Oil Company of California	1200.00	46.87500	48.38710
Continental Oil Company <sup>(1)</sup>	320.00	12.50000	12.90322
Gulf Oil Corporation	560.00	21.87500	22.58065
Northern Natural Gas Company*	160.00	6.25000	6.45161
William G. Ross*	30.00	1.17188	1.20968
Aminoil U.S.A., Inc. (2)	60.00	2.34375	2.41935
The Superior Oil Company*	30.00 Acres below 4,000'	1.17187	1.20968
A. C. Holder (3)	(30.00 Acres (1.17187) down to 4,000')		(1.20968)
William A. & Edward R. Hudson	91.80	3.58594	3.70161
Edward R. Hudson, Jr., Agent and Attorney-in-Fact for B. D. Moore, Jr., et al	16.20	.63281	.65323
E. E. Unger (4)	12.00	.46875	.48387
TOTAL CONSENTING PARTIES	2480.00	96.87500%	100.00000%

II. NON-CONSENTING WORKING INTEREST OWNER

J. M. Huber Corporation	80.00	3.12500
TOTAL UNIT AREA	2560.00	100.00000%

- (1) Continental Oil Company wishes to F/O on initial test well to unit's consenting drilling parties: 1/16 ORR w/option to convert to 1/2 back-in W.I. after payout, proportionately reduced to unit area.
- (2) Aminoil U.S.A., Inc. wishes to F/O to unit's consenting drilling parties on an ORRI basis: 1/8 ORR which will convert to 3/16 ORR after payout on each unit well drilled, proportionately reduced to unit area.
- (3) A.C. Holder is credited with 30.00 acres of operating rights from surface to 4,000'. Mr. Holder does not wish to participate in any drilling costs in unit area in event a well is completed in zone of interest. We have presented Mr. Holder with F/O letter covering his shallow unit rights in return for a 5.5% ORR in any unit well, proportionately reduced.
- (4) E. E. Unger is credited with 12.00 acres of operating rights below the Base of the Grayburg in Tract 2. By virtue of an agreement letter dated 1/16/79, Mr. Unger's interest in initial test well and any subsequent unit development wells is farmed out to William A. and Edward R. Hudson on an 80% net revenue interest basis with option to convert to 1/2 back-in working interest proportionately reduced to unit area.

\*Parties who do not wish to participate in their proportionate share of any farm-in acreage.

Unit Name MADURO UNIT (EXPLORATORY)  
Operator Union Oil Company of California  
County Lea

DATE	OCC CASE NO	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	6516 OCC ORDER NO. R-5976	5-3-79	2,560.00	400.00	2,160.00	-0-	Yes	5 yrs.
Commissioner: 5-14-79	Commission: 4-9-79							

UNIT AREA

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Sections 20 and 21: S/2  
Sections 28 and 29 All  
Sections 32 and 33: N/2



Unit Name

MADURO UNIT (EXPLORATORY)

Operator

Union Oil Company of California

County

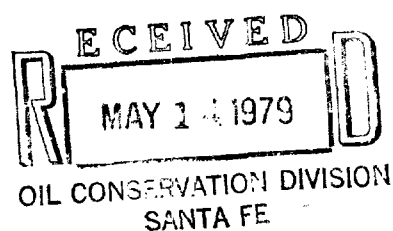
Lea

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	ACRES	DATE	LESSEE
10	L-4397-1	C.S.	32	19S	33E	NE/4				160.00	3-20-79	Union Oil Company of California
11.	LG-3173	C.S.	33	19S	33E	S/2NW/4				80.00	3-20-79	Union Oil Company of California
12.	LG-3230	C.S.	32	19S	33E	NW/4				160.00	4-11-79	Northern Natural Gas Company

UNIT OPERATING AGREEMENT

MADURO UNIT  
LEA COUNTY, NEW MEXICO

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MADURO UNIT  
LEA COUNTY, NEW MEXICO

OPERATING AGREEMENT

This agreement made and entered into as of the 20th day of March 1979,  
by and between

UNION OIL COMPANY OF CALIFORNIA

hereinafter at times referred to as "Operator", and the undersigned party or parties hereto other than Operator, each of whom being referred to in the singular as a "Non-Operator", or in the plural as "Non-Operators":

W I T N E S S E T H:

WHEREAS, the parties to this agreement own oil and gas leases or unleased mineral interests covering the lands or parts thereof comprising the Unit Area described in Exhibit "A" attached hereto and made a part hereof, and it is the desire of the parties to enter into this agreement subject to the conditions and limitations hereinafter set forth for the exploration, development and operation of the Unit Area, described in Exhibit "A", for oil, gas and condensate purposes:

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter contained to be kept and performed by the respective parties hereto, it is agreed as follows:

GENERAL PROVISIONS

1. OWNERSHIP OF PROPERTIES

a. For the purpose of this agreement as between the parties hereto, the royalty interest is and shall be treated as one-eighth (1/8), and the working interest of the parties hereto shall be treated as seven-eighths (7/8), and all oil and gas, including casinghead gas, and condensates attributable to the working interest covered by this agreement shall be owned in the proportions shown in Exhibit "A".

b. It is understood and agreed that all charges to the Joint Account, except as hereinafter specifically provided, shall be made and paid by the parties hereto in accordance with the interests of participation in the working interest as set forth in Exhibit "A".

c. It is understood by and between the parties hereto that if any of them is obligated to pay any Lessor royalties at a rate in excess of the usual one-eighth (1/8) royalty or to pay to anyone any overriding royalty, payments out of production, net profit obligations, carried interests, or any other outstanding obligations now existing or hereafter coming into existence against any of the parties hereto, or their respective interests, or with respect to the respective interests in the production from the above described land, all such royalties, obligations and payments by which any of the parties hereto is now bound or may hereafter become bound shall remain the obligation of the respective party or parties, as the case may be, and shall be paid and satisfied in each instance, unless otherwise paid and satisfied, out of the interest of the obligated party in the seven-eighths (7/8) working interest set forth above.

d. Title to the leases and mineral interests contributed by each of the parties to this agreement is to remain in each of the respective parties except as herein specifically provided. If title to any lease or mineral interest, or portion thereof, should fail (except as hereinafter provided), then the interests in the production from the Unit Area of the party contributing such lease or leases or mineral interests shall be decreased in proportion to the number of net leasehold or mineral acres lost by said failure of title. It is understood, however, that should any party's interest in the Unit be reduced, as above provided, such reduction in interest shall not affect such party's obligation to pay its proportionate share, based upon interest prior to written notice being received by Operator of such reduction, of all obligations and liabilities theretofore accruing.

If any loss of title to a leasehold estate in the Unit Area occurs due to cancellation of a lease by final judgment of a court of competent jurisdiction for failure to reasonably develop the premises or meet offset obligations, or for failure to commence drilling operations on a particular lease before the expiration of its primary term, then all parties hereto shall bear such loss proportionately according to their particular interest in the Unit Area.

In the event of failure of title to a lease or mineral interest or for termination of a lease contributed to the Unit Area, the contributing party shall not be liable in damages to any other party hereto; however, the contributing party agrees to indemnify and save harmless each other party hereto from any claim for damages which might be asserted by a third party arising from such

failure of title or termination of a lease, and except for such indemnity, the contributing party's only liability shall be a reduction in interest of participation as hereinabove provided.

## 2. DESIGNATION OF OPERATOR

UNION OIL COMPANY OF CALIFORNIA is hereby designated as Operator under this agreement with respect to the Unit Area and all joint account wells drilled in accordance with the provisions hereof and shall continue as such as long as it owns any part of the seven-eighths (7/8) working interest in the Unit Area as above defined, unless it resigns or is removed as hereinafter provided.

## 3. RESIGNATION, REMOVAL OR CHANGE OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties.

Operator shall be subject to removal by an affirmative vote for such removal of the majority according to interest of the owners of the working interest in the Unit Area; provided that, should one party to this agreement then own more than a majority of the working interest within the Unit Area, a concurring vote of one additional party shall be necessary to remove Operator. Such removal shall be effective upon giving ninety (90) days written notice thereof to Operator, executed by such majority of parties hereto so voting for removal, and upon the acceptance in writing of the successor Operator of the duties and responsibilities as Operator.

In the event of either sale of its interest, resignation or removal of Operator, all parties to this contract shall select, by majority vote in interest, a new Operator who shall assume the responsibilities and duties and have the rights prescribed for Operator by this agreement; provided that, should one party to this agreement then own more than a majority of the working interest within the Unit Area, a concurring vote of one additional party shall be necessary for selection of a new Operator. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

The resignation, change or removal of Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest under this agreement, but upon the resignation, change or removal of

Operator becoming effective and the designation of a successor Operator, such Operator shall deliver possession of all equipment, material and appurtenances used in conducting the Unit operations and owned by the working interest owners to the newly designated successor Operator or to the owners thereof if no such new Operator is selected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment or appurtenances needed for the preservation of any wells.

#### 4. RIGHTS AND DUTIES OF OPERATOR

Operator shall have full and exclusive control, management and supervision of the Unit Area for the production of oil and gas therefrom, including drilling, completing, equipping, operating, plugging and abandoning of oil and gas wells thereon, with full power to do whatever in its judgment may be necessary and proper to that end; provided, however, that Operator shall not without first obtaining the written consent of Non-Operators:

- a. Drill any well for the Joint Account other than the test well provided for herein;
- b. Make any expenditure or undertake any new project involving a sum in excess of Twenty Thousand Dollars (\$20,000.00), except for the drilling, completing, equipping and plugging or abandoning of a well to which the parties have consented in writing; and
- c. Abandon, deepen or plug back any well which is producing, or which has once produced, except as provided in Section 9 hereof.

All operations hereunder shall be in compliance with all valid laws, rules and regulations governing the same, including the Fair Labor Standards Act of 1938, as amended. Operator shall use its best skill and judgment in the operation and development of the Unit Area, shall pay all costs and expenses incurred therein through the Joint Account, and shall keep the Unit Area free and clear from liens for material furnished or labor performed. Operator shall keep full and complete records and accounts of all of its operations hereunder, and shall make all reports and returns that may be required by law, rule or regulation insofar as operations on the Unit Area are concerned. Operator shall, upon request, furnish copies of its "Authority for Expenditure" for any single project costing in excess of Five Thousand Dollars (\$5,000.00).

## 5. RIGHTS OF NON-OPERATORS

The following specific rights, privileges and obligations of the parties hereto are hereby expressly provided, but not by way of limitation or exclusion of any other right, privilege and obligation of the respective parties.

- a. Non-Operators shall have access to the entire Unit Area at all reasonable times to inspect and observe operations of every kind and character upon the property;
- b. Non-Operators shall have access at all reasonable times to any and all information pertaining to the wells drilled, production secured, oil and gas marketed, and to the books, records and vouchers relating to the operation of the Unit Area; and
- c. Operator shall, upon request, furnish Non-Operators with the daily drilling reports, true and complete copies of well logs, tests and charts, tank tables, daily gauge and run tickets, reports of stock on hand at the first of the month, and shall also, upon request, make available samples and cuttings from any and all wells drilled on the Unit Area.

## 6. TAXES

Operator shall render for assessment and pay all taxes which may be legally assessed against the leasehold estate or on personal property located thereon insofar as they cover and affect the oil and gas rights in the lands covered hereby. Except as hereinafter provided, Operator shall charge such taxes to the Joint Account in accordance with the Accounting Procedure attached hereto as Exhibit "C".

If the Operator is required hereunder to pay ad valorem taxes based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the parties hereto in accordance with the percentage of tax value generated by each party's working interest.

If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. 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 Operator of such interest prior to the rendition date.



If any party to this agreement owns a royalty interest, overriding royalty or production payment in addition to the leasehold interest committed to the Unit, such party shall render and pay all ad valorem taxes on such interest.

7. INSURANCE

At all times during the conduct of operations hereunder, Operator shall maintain in force for the benefit and protection of the joint interest, insurance as may be set forth in Exhibit "G" attached hereto and made a part hereof.

8. MARKETING PRODUCTION

Subject to any existing contract and to the terms and provisions of the Gas Storage Agreement attached hereto as Exhibit "E" and made a part hereof, each party hereto shall have the right to take in kind or separately dispose of its proportionate share of the production from the Unit Area, exclusive of production used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Upon any sale each party shall execute the division order or sales contract applicable to its own interest and shall receive the proceeds of the sale directly from the purchaser thereof. In event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the production, Operator shall have the right for the time being, subject to revocation at will by the party owning the same, to purchase such production or to sell the same to others at not less than the market price prevailing in the area for production of the same quality and not less than the price which Operator receives for its own portion of such production; provided that, all contracts of sale by Operator of Non-Operators' production 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 (1) year. Any expenditure incurred by taking in kind, or separate disposition by any party of its proportionate share of the production, shall be borne by such party. Operator shall not make a sale of any Non-Operator's share of gas produced and saved from the Unit Area unless Operator shall have given such Non-Operator written notice of such intended sale and such Non-Operator, within sixty (60) days from and after the receipt

of such notice, shall have failed to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the production at its sole cost and expense.

9. ADDITIONAL WELLS

No wells shall be drilled on the Unit Area for the Joint Account of the parties hereto without their mutual consent.

Should any of the parties hereto desire that an additional well or wells be drilled on the Unit Area or that any noncommercial well on the Unit Area be deepened, plugged back or reworked (if such deepening, plugging back or reworking will cost more than Twenty Thousand Dollars (\$20,000.00) and any other party or parties shall fail or refuse within thirty (30) days in the case of a proposal to drill a well, and forty-eight (48) hours in the case of a proposal to deepen, plug back or rework where a drilling rig is on location, after receipt of written notice outlining the desired operations, location of the well and the estimated cost of such operations, to notify the party or parties giving such notice that such other party or parties desire to participate in such operations, the party or parties desiring to drill, deepen, plug back or rework such well, in order to be entitled to the benefits of this provision, shall, within thirty (30) days from the expiration of said thirty (30) day period, commence such operations and thereafter diligently prosecute the same at its or their sole cost, risk, expense and liability, and thereafter each non-participating party shall be deemed to have relinquished to the participating party or parties and the participating party or parties shall own (in the proportions which their interests hereunder bear to the interests of all such parties) all of such non-participating party's operating rights and working interest in the well and the personal property used in connection therewith, and its share of production therefrom until the proceeds or market value of all production from said well (after deducting the gross production taxes, royalty, overriding royalty and other interests payable out of or measured by such share of the production) shall equal three hundred percent (300%) of the costs incurred in drilling, deepening, plugging back, reworking, completing and equipping (excluding any costs beyond the wellhead connection) such well, and one hundred percent (100%) of the cost beyond the wellhead connection, such as tanks, separators and flow lines, together with one hundred percent (100%) of the cost of operation thereof during such time, such cost to be determined in accordance with the provisions of Exhibit "C". The party or parties deepening,

plugging back or reworking any such noncommercial well shall pay to the other party or parties a sum equal to the proportionate share of such nonparticipating party or parties in the estimated salvage value (determined in accordance with Exhibit "C" and after deducting the estimated cost of recovery) of the equipment and reclaimable casing or tubing on and in any well in which such deepening, plugging back or reworking operations are conducted, and the amount so paid shall form part of the cost of deepening, plugging back or reworking such well for which the participating parties shall be entitled to reimbursement out of production on the basis of the interest herein set out.

Within sixty (60) days after the completion of any operation under this section, the participating party or parties shall furnish each nonparticipating party with an inventory of the equipment in and connected to the well and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or, at its option, the party operating such well for the participating party or parties, in lieu of an itemized statement of such cost of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the participating party or parties are being reimbursed as provided above, the participating party or parties shall furnish the nonparticipating parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from such well and the amount of proceeds realized from the sale of the well's working interest production during the preceding month.

If any such well shall fail to produce, or shall cease to produce in paying quantities, before receipt of the reimbursement above provided for, the well shall be plugged and abandoned at the sole cost, expense and risk of the participating party or parties, who shall be entitled to all salvage value derived from the well to the extent necessary to complete the reimbursement at the percentage provided above plus the cost of abandoning such well, any excess to be credited to the Joint Account of all parties hereto. The parties who conduct operations pursuant to this section shall comply with all valid rules and regulations and shall assume all obligations under the lease covering the land upon which such operations are conducted. Immediately after the participating party or parties have received out of production the reimbursement

provided in this section, each of the parties hereto shall become entitled to receive its share of the production from such well and shall own its proportionate interest in the material and equipment therein and thereon; and, if such operations were not conducted by Operator, Operator shall resume operating such well for the benefit of the Joint Account.

10. ABANDONMENT OF WELLS

a. No well which is producing or has once produced shall be abandoned without the consent of all parties hereto. In the event any party desires to abandon any well and any other party does not agree thereto, then the party or parties not desiring to abandon said well shall pay to the party desiring to abandon its proportionate part of the value of the material and equipment in and on said well, determined in accordance with the Accounting Procedure attached hereto as Exhibit "C", less the estimated cost of salvaging the same; and the party or parties desiring to abandon shall assign to the other party or parties in proportion to its or their respective interests in the Unit Area, without warranty of title, all of its or their interests in said well and in the oil and gas lease as to the formation or formations which the party or parties desire to abandon in a tract surrounding said well of an area equal to that prescribed for one well in such formation or formations by the rules or orders of any regulatory body having jurisdiction in the premises. Upon such assignment, the party or parties assigning shall thereafter be relieved of all obligations thereafter accruing with respect to the acreage so assigned.

b. In the event all parties desire to sell any well, the same shall be sold to the highest bidder on sealed bids. Each party to this agreement shall submit names of bidders to the Operator who in turn shall give each such bidder the opportunity to submit a bid. Upon such sale, an assignment or lease shall be executed in favor of the successful bidder, and the monies received from such sale shall be credited to the Joint Account.

11. SURRENDER OF LEASES

No party hereto shall surrender or release its interest in the oil and gas leases affected by this agreement, either in whole or in part, without the consent of the other parties. Should any party hereto desire at any time to surrender all or any part of its leasehold interest in any of said leases and the other parties do not consent thereto, the party desiring to surrender shall

assign to such nonconsenting parties, in proportion to their respective interests in the Unit Area, without warranty of title, the leasehold interest which it desires to surrender; and thereafter the party so assigning shall be relieved of all obligations thereafter accruing with respect to the interest assigned, and the participating interests of such parties shall be proportionately increased and decreased accordingly. If there are material and equipment on the assigned acreage, the parties to whom the acreage is assigned shall pay to the assigning party its proportionate part of the value of such material and equipment determined in accordance with the Accounting Procedure attached hereto as Exhibit "C", less the estimated cost of salvaging the same.

#### 12. MAINTENANCE OF UNIT OWNERSHIP

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interest covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- a. The entire interest of such party in all leases and equipment and production; or,
- b. An equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other party or parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area, and they shall have the right to receive, separately, payment of the sale proceeds thereof.

#### 13. RENEWAL OR EXTENSION OF LEASES

Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas

interests in all land in the Unit Area.

If any party secures a renewal of any lease subject to this contract, the loss of which was a joint loss, the other party or parties shall be notified promptly and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it its or their proportionate share of the acquisition cost, which shall be in proportion to the interest held at that time by the parties in the Unit Area, and such party or parties shall be given an assignment of its or their proportionate interest therein by the acquiring party.

The renewal of any lease subject to this contract, the loss of which was a joint loss, shall not be subject to this agreement unless all parties to this agreement shall elect to participate in its acquisition, as hereinabove provided, or shall consent in writing to its being subject to this agreement and the adjusting of percentages of participation.

If any party secures a renewal of a lease subject to this contract, the loss of which was an individual loss, such lease shall be subject to this agreement and the interest of the parties shall be adjusted accordingly.

The provisions of this section shall apply to renewal leases, whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease, shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of leases.

Notwithstanding anything to the contrary contained herein, each party committing a lease or leases to this agreement shall have the option upon termination or expiration of each lease to alone bear the renewal cost and expenses and thereby retain its original interest and title in said lease. By exercising such option, the parties' working interest shall remain unchanged. If the original lease owner does not exercise its option within sixty (60) days after the expiration or termination date of the original lease, the renewal

lease will then be subject to the terms of this article as written above. If a working interest owner other than the one committing a lease to the Unit shall renew said lease within sixty (60) days of its expiration or termination, then said renewing party shall furnish the original lease owner an itemized statement of the complete renewal costs and expenses of such lease. The original lease owner shall have sixty (60) days after the receipt of such itemized statement to reimburse the renewing party in full, thereby acquiring its original ownership in said lease. Failure of the original lease owner to do so shall result in the forfeiture of its option hereunder.

14. DELAY RENTALS, ROYALTIES AND SHUT-IN GAS ROYALTIES

Each party shall pay or cause to be paid all delay rentals, royalties and shut-in gas royalties which may become due on the lease or leases owned by it within the Unit Area. Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so. The parties hereto shall exercise due diligence in the payment of such rentals or shut-in gas royalties, but no party, including Operator in its capacity as such, shall be liable for failure to make timely and proper payment thereof, or to give the notices provided in this section, except to the extent provided in Section 1(d) of this agreement.

15. ACCOUNTING

Operator shall keep a full and correct account of the costs and expenses of the development, operation and abandonment of the Unit Area. The charges and credits to such account shall be governed and controlled by and shall be made in accordance with the Accounting Procedure attached hereto as Exhibit "C" and made a part hereof. On or before the last day of each calendar month during the term of this agreement, Operator shall furnish to Non-Operators statements of charges and credits made to such account during the preceding month, as provided in the Accounting Procedure. It is agreed that in the event there is a conflict between this agreement and any of the provisions of Exhibit "C" attached hereto, then the provisions of this agreement shall control and prevail.

Each party electing to take in kind or separately dispose of its proportionate share of the production from the Unit Area shall keep accurate records of

the volumes, selling price, royalties, and taxes relative to its share of production. Non-Operators shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.

16. PROTEST AND AUDIT

Non-Operators shall have the right to protest bills and statements rendered by Operator and to audit Operator's accounts and records to the extent provided in the Accounting Procedure.

17. LIEN OF OPERATOR

Operator shall have a lien on the working interest of each Non-Operator in the Unit Area and on the oil and gas produced therefrom and on the proceeds thereof to secure the payment of any amount that may at any time become due and payable by such Non-Operator to Operator under the terms of this agreement, together with interest thereon at twelve percent per annum.

18. LIEN OF NON-OPERATORS

Each Non-Operator shall have a lien on the working interest of Operator in the Unit Area and on the oil and gas produced therefrom and on the proceeds thereof to secure the payment of any amount that may at any time become due and payable by Operator to such Non-Operator under the terms of this agreement, together with interest thereon at twelve percent per annum.

19. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.



## 20. FORCE MAJEURE

No party hereto shall be subject to any liability nor shall it be subject to the loss or forfeiture of any rights hereunder for failure to carry out the provisions hereof during the time and to the extent that the failure to do so shall be due to the provisions of law or to the operation or effect of laws, regulations or orders promulgated by any governmental agency having jurisdiction, or due to the action, judgment or decree of any court, or to floods, storms, fires, acts of God, or public enemies, strikes, insurrections, labor troubles, freezing of wells, breakdown or failure of plant or machinery, failure of manufacturers to deliver material or of carriers to transport the same, or to any other cause, whether similar or dissimilar to those hereinabove enumerated, over which such party has no control and which forbids or prevents the performance of all or any part of the conditions of this agreement.

## 21. LAWS AND REGULATIONS

A. All of the provisions of this agreement are expressly subject to all applicable laws, orders, rules and regulations of any governmental body or agency having jurisdiction in the premises, and all operations contemplated hereby shall be conducted in conformity therewith. Any provision of this agreement which is inconsistent with any such laws, orders, rules and regulations is hereby modified so as to conform therewith, and this agreement, as so modified, shall continue in full force and effect.

B. In connection with the performance of work under this agreement, Unit Operator agrees to comply with all of the provisions of Section 202(1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are set forth in the Equal Opportunity and Nondiscrimination Supplement attached hereto and hereby made a part hereof as Exhibit "F".

## 22. LIABILITIES

The liabilities of the parties hereunder shall be several and not joint or collective. Each party shall be responsible only for its obligations as herein set out, and shall be liable only for its proportionate share of the cost of developing and operating the premises subject hereto. It is expressly agreed that it is not the purpose or intention of this agreement to create, nor shall the same be construed as creating, any mining partnership, commercial partnership, or other partnership relation, except as provided in Article 23, nor shall the

operations of the parties hereunder be construed or considered as a joint venture. It is not the intention of the parties that this contract is made or intended for the benefit of any third person.

23. 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 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 1.761-1(a). 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 of New Mexico, 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 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.

24. EMPLOYEES

The number of employees, the selection of such employees, the hours of labor and the compensation for services to be paid any and all such employees shall be determined by Operator. Such employees may be employees of Operator.

## 25. NOTICES

All notices that are required or authorized to be given hereunder except as otherwise specifically provided for herein shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, and addressed to the party to whom such notice is given at the address shown for such party on Exhibit "A".

The originating notice to be given under any provision hereof shall be deemed given when received by the party to whom such notice is directed, and the time for such party to give any response thereto shall run from the date the originating notice is received. The second or any subsequent notice shall be deemed given when deposited in the United States Post Office or with Western Union Telegraph Company, with postage or charges prepaid.

Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all of the parties.

## 26. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the other party or parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by the parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this

agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the Joint Account of all parties, shall be handled by Operator and its attorneys. The settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed Five Thousand Dollars (\$5,000.00), and, if settled, the sums paid in settlement shall be charged as expense to and paid by all parties in proportion to their then interests in the Unit Area.

#### 27. SALE OF GAS PRODUCTION

It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Unit Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Unit, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

#### 28. CREATION OF NEW INTEREST

If any party hereto shall, after having executed this agreement, create any overriding royalty, production payment or other burden against its working interest (such interest as created being hereafter referred to as a "new interest"), the same shall be subject to the terms and provisions of this agreement. If any party or parties should conduct nonconsent operations pursuant to any provision of this agreement and, as a result, become entitled to the working interest production from which a "new interest" has been created, the party or parties entitled to receive such working interest production shall receive the same free and clear of such "new interest" and the nonparticipating party who created such "new interest" shall save the participating party or parties harmless with respect to the receipt of the working interest production.

Any lien provided for in this instrument may be enforced against the "new interest" in the same manner as the lien was enforceable against the original interest from which the "new interest" was created.

29. TERM

This agreement shall become effective on the date and at the time that the Unit Agreement becomes effective, and shall remain in effect for so long thereafter as the Unit Agreement is in effect. In the event of termination of the Unit Agreement for any reason as to all or any part of the land now or hereafter included in the Unit Area, this agreement shall continue in full force and effect with respect to any land as to which the Unit Agreement terminates which is included in any drilling unit or proration unit for any unabandoned well which has been drilled or commenced pursuant to this agreement, and as long thereafter as oil and gas, or either of them, is produced from the Unit Area, or any part thereof, or as long as producing, drilling or reworking operations are conducted thereon with no cessation of more than sixty (60) consecutive days, or as long as any lease committed to the Unit remains in effect by the payment of shut-in gas royalties on a gas well situated upon the Unit Area or any portion thereof. This agreement shall constitute a covenant running with the committed interests and shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

30. TEST WELL

On or before May 31, 1979, subject to approval of the governmental agency having jurisdiction, Unit Operator shall commence operations on a test well which is required to be drilled pursuant to the provisions of Section 9 of the Unit Agreement (unless such well shall be commenced prior to the effective date of said Unit Agreement). Said test well shall be located in the SE/4 Section 29, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico. Said well must be drilled to a depth sufficient to test the Morrow formation, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 13,700 feet.

31. CASING POINT ELECTION

It is specifically understood that consent to the drilling and deepening of a well shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, Operator shall give immediate notice to parties bearing costs of drilling to said depth. The parties receiving such notice shall have

forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays, in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of said parties. If one or more, but less than all, of said parties elect to set pipe and attempt a completion, the provisions of Section 9 shall apply to the operations thereafter conducted by less than all parties.

### 32. REQUIRED WELLS

For the purpose of this article a well shall be deemed a required well if the drilling thereof is required by the final order of an authorized representative of the Department of Interior. Such an order shall be deemed final upon expiration of the time allowed for appeal therefrom without the commencement of appropriate appeal proceedings or, if such proceedings are commenced within said time, upon the final disposition of the appeal. Whenever Unit Operator receives any such order, it shall promptly mail a copy thereof to each of the other parties; if any such order is appealed, the party appealing shall give prompt written notice thereof to each of the other parties, and upon final disposition of the appeal, Unit Operator shall give each of the other parties prompt written notice of the result thereof.

Any party desiring to drill, or participate in the drilling of, a required well shall give to Unit Operator written notice thereof within thirty (30) days after the order requiring such well becomes final or within such lesser time as may be required by such order. If such notice is given within said period, Unit Operator shall drill the required well for the account of the party or parties giving such notice, who shall bear all costs incurred therein; the rights and obligations of such party or parties with respect to the ownership of such well, the operating rights therein, the available production therefrom and the bearing of costs incurred therein shall be the same as if the well had been drilled for the account of such party or parties under Article 9, "Additional Wells".

If no party elects to drill a required well within the period allowed for such election, and if any of the following alternatives are available, the

first such alternative which is available shall be followed:

- a. If compensatory royalties may be paid in lieu of drilling the well and if payment thereof is authorized by the parties within said period, Unit Operator shall pay such compensatory royalties; or
- b. If the drilling of the well may be avoided, without other penalty, by contraction of the Unit Area through exclusion of lands not then within a participating area, Unit Operator shall make reasonable effort to effect such contraction with the approval of the Director; or
- c. If unitized substances have not theretofore been discovered in paying quantities within the Unit Area, the parties shall join in termination of the Unit Agreement in accordance with its provisions.

If none of the foregoing alternatives are available, Unit Operator shall drill the required well for the account of all the parties, each of whom shall bear that percentage of all costs incurred therein which is equal to its participating interest.

### 33. COMPENSATORY ROYALTIES

Whenever demand is made in accordance with the Unit Agreement for the drilling of a well for the protection of the Unit Area from drainage, or for the payment of compensatory royalties in lieu thereof, Unit Operator shall give written notice thereof to each party. If payment of such compensatory royalties is approved by the parties, Unit Operator shall make payment thereof. All payments so made by Unit Operator shall be charged as costs and borne by the parties in proportion to their respective participating interests. If payment of compensatory royalties is not approved by the parties, then the rights and obligations of the parties shall be governed by Article 32, "Required Wells".

### 34. 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 to the extent provided below, the difference shall be borne by or inure to the benefit of the working interest owners, in proportion to their respective unit participation.

The difference to be borne by or inure to the benefit of the working interest owners shall not exceed an amount computed on the basis of 1/8th 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. Any uncommitted royalty interest in excess of 1/8th shall be borne solely by the working interest owner contributing such interest.

### 35. MANNER OF EXERCISING SUPERVISION

For projects exceeding Operator's expenditure limits and for other operational procedures not covered by this Operating Agreement, the following procedures shall apply.

Each working interest owner shall in writing inform Unit Operator of the names and addresses of its 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.

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 percentage participation in the initial test well after payout and all subsequent wells or 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 shall not be prevented from amending items included in the agenda or from deciding the amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

Working interest owners shall decide all matters coming before them as follows:

- a. Each working interest owner shall have a voting interest in the percentage shown on Exhibit "A".
- b. Except as may otherwise be provided herein or in the Unit Agreement, working interest owners shall act upon and determine all matters coming before them by the affirmative vote of two (2) or more working interest owners having a total of seventy-five percent (75%) or more of the total voting interest in the Unit; provided, that if any one working interest owner has a voting interest of more than forty percent (40%), its negative vote or failure to vote shall not defeat the matter being voted on if such matter is supported by a majority of the voting interest unless such working interest owner is supported by the vote of one or more other working interest owners, and such resulting vote shall be binding on all parties.
- c. Any working interest owner who is not represented at a meeting may vote either by written proxy or by letter



or telegram addressed to the representative of the Unit Operator, provided such letter or telegram is received prior to the submission of such item to vote. If the vote is by letter or telegram, such vote shall not be counted with respect to any item on the agenda which has been materially changed at the meeting.

- d. 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 this article, within seven (7) days after the proposal is received by working interest owners. Unit Operator will give prompt notice of the results of the voting to all working interest owners.
- e. Any expenditure occurring as a result of vote will be billed to the Joint Account and paid by all parties in accordance with their respective working interest ownership in the Unit Area.

36. ESTABLISHMENT, REVISION AND CONSOLIDATION OF PARTICIPATING AREA

Unit Operator shall initiate each proposal for the establishment or revision of a participating area by submitting the proposal therefor in writing to each Working Interest Owner at least thirty (30) days before filing the same with the Supervisor and the Land Commissioner. The date of the proposed filing shall be shown on the proposal. If the proposal receives the approval of the Working Interest Owners as provided in Article 35 hereof, then such proposal shall be filed on the date specified in the notice.

Prior to the proposed filing date, any Working Interest Owner may submit to all other Working Interest Owners and Unit Operator written objections to such proposal. If, despite such objections, the proposal receives the approval of the Working Interest Owners, then the Working Interest Owner making such rejection may renew its objections before the Supervisor and the Land Commissioner.

If the proposal does not receive the approval of such Working Interest Owners, then the Unit Operator shall submit a revised proposal taking into account the objections made to the first proposal. If no proposal received the approval of said Working Interest Owners within thirty (30) days from the submission of the first proposal, the Unit Operator shall then file with the Supervisor and the Land Commissioner a proposal reflecting as nearly as practicable the various views expressed by the affected Working Interest Owners.

If a proposal filed by the Unit Operator as above provided is rejected by the Supervisor and/or the Land Commissioner, the Unit Operator shall initiate a new proposal in the same manner as provided in the third paragraph of this Article 36 and the procedure with respect thereto shall be the same as in the case of an initial proposal.

Two (2) or more participating areas may be combined as provided in the Unit Agreement.

37. TITLE EXAMINATION

No well shall be drilled at the Joint Expense until all parties sharing such expense shall have approved or accepted title. The cost of title examination, including abstract costs and attorneys' fees or time and expenses, shall be charged to the Joint Account, but no such expenditures shall be made for, or charged to the Joint Account without prior written consent of the parties to be charged therefor. Acceptance of an AFE for the drilling of a well shall be such consent as to the drillsite tract. The cost of obtaining necessary curative data shall be charged to the party or parties contributing the lease or leases to which title is defective in proportion to their respective ownership. There shall be no charges to the Joint Account when Unit Operator's own attorneys are utilized in connection with title examinations.

38. SUBSEQUENT JOINDER

Prior to the commencement of any operations under the Unit Agreement, all owners of working interest within the Unit Area who have not become bound by the terms of the Unit Agreement shall have the right to join in this agreement by subscribing to the Unit Agreement and this agreement and in the event of such joinder, the Working Interests of the parties hereto shall be revised to reflect the joinder by such additional Working Interest Owner. After commencement of any operations on the Unit Area under the Unit Agreement and/or this agreement, any subsequent joinder to the Unit Agreement and to this agreement by any party owning a working interest in the Unit Area shall be on such reasonable terms and conditions as the Working Interest Owners who are then signatory parties hereto and to the Unit Agreement may require under the circumstances existing at the time that such subsequent joinder is requested.

39. MISCELLANEOUS

It is understood that all references made herein to the respective parties shall, where applicable, include the singular or the plural, as the case may be, and the use of any pronoun herein shall, where applicable, cover the masculine, feminine and neuter, as the case may be. It is further understood and agreed that the headings used in this agreement are inserted for convenience only and shall be disregarded in construing this agreement.

In the event of conflict between the Unit Agreement and this Unit Operating Agreement, the terms and conditions of the Unit Agreement shall control.

40. COUNTERPART EXECUTION

A party may become a party to this agreement by executing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof and this agreement shall be binding upon all parties who have agreed to be bound by the terms hereof regardless of whether this agreement is executed by all parties owning an oil and gas leasehold interest in the Unit Area. The execution of any such instrument shall have the same effect as if all the parties had signed one and the same instrument.

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

UNION OIL COMPANY OF CALIFORNIA

Date: March 20, 1979

By *John Hansen* (JH)  
Attorney-in-Fact

OPERATOR

STATE OF TEXAS,            Ø  
                                  Ø   ss.  
COUNTY OF MIDLAND.    Ø

The foregoing instrument was acknowledged before me this 20th day of March, 1979, by JOHN HANSEN, Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

My Commission expires:

*Alice M. Jones*  
Notary Public           (Alice M. Jones)

April 27, 1979

EXHIBIT "A"  
MADURO UNIT

I. Description of Unit Area:

Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico

Section 20: S/2  
Section 21: S/2  
Section 28: All  
Section 29: All  
Section 32: N/2  
Section 33: N/2

as to all depths in Unit Area.

Total Unit Area: 2,560.00 Acres

Total Consenting W. I. Owners Acres Committed to Operating Agreement:  
2,480.00 \*

\*J. M. Huber Corporation has elected not to commit its 80-acre leasehold in N/2 NW/4 Section 33-19S-33E (NM-10780) to the Unit Agreement and Unit Operating Agreement.

II. Names and Addresses of Parties:

Union Oil Company of California  
P. O. Box 671  
Midland, Texas 79702  
Attention: District Land Manager

(hereinafter "Union")

Aminoil U.S.A., Inc.  
600 Western United Life Building  
Midland, Texas 79701

(hereinafter "Aminoil")

Continental Oil Company  
P. O. Box 1959  
Midland, Texas 79702

(hereinafter "Conoco")

Gulf Oil Corporation  
P. O. Box 1150  
Midland, Texas 79702

(hereinafter "Gulf")

A. C. Holder  
P. O. Box 1716  
Lovington, New Mexico 88260

(hereinafter "Holder")

William A. & Edward R. Hudson  
1000 First National Building  
Fort Worth, Texas 76102

(hereinafter "Hudson & Hudson")

Edward R. Hudson, Jr.  
Agent and Attorney-in-Fact for  
B. D. Moore, Jr., et al  
1000 First National Building  
Fort Worth, Texas 76102

(hereinafter "Moore Group")

Northern Natural Gas Company  
403 Wall Towers West  
Midland, Texas 79701

(hereinafter "Northern")

Names and Addresses of Parties (Contd).

William G. Ross (hereinafter "Ross")  
P. O. Box 86  
Midland, Texas 79702

The Superior Oil Company (hereinafter "Superior")  
P. O. Box 1900  
Midland, Texas 79702

\* E. E. Unger (hereinafter "Unger")  
P. O. Box 1401  
Las Vegas, New Mexico 87701

\*By special agreement, E. E. Unger has farmed-out his 12.00 acres  
(as to below the base of the Grayburg formation) to William A. &  
Edward R. Hudson.

III. Schedule of Interests of Parties AS TO ALL DEPTHS BELOW 4,000 FEET.

W. I. Owners	Original Acreage	Acreage Farned-In	Total Acreage Before Payout	Percent Interest Before Payout	Total Acreage After Payout	Percent Interest After Payout (4)	Percent Interest in Subsequent Wells Before Payout
Aminoil (1)	60.00	-	-	-	-	-	-
Conoco (1)	320.00	-	-	-	160.00	6.45161	6.45161
Gulf (2)	560.00	113.19	673.19	27.14476	625.53	25.22298	25.22298
Hudson & Hudson (2) (3)	103.80	20.98	124.78	5.03145	109.95	4.43347	4.67541
Moore Group (2)	16.20	3.28	19.48	.78548	18.10	.72984	.72984
Northern	160.00	-	160.00	6.45161	160.00	6.45161	6.45161
Ross	30.00	-	30.00	1.20968	30.00	1.20968	1.20968
Superior (5)	30.00	-	30.00	1.20968	30.00	1.20968	1.20968
Unger (3)	-	-	-	-	6.00	.24194	-
Union (2)	1,200.00	242.55	1,442.55	58.16734	1,340.42	54.04919	54.04919
	2,480.00	380.00	2,480.00	100.00000	2,480.00	100.00000	100.00000

(1) Parties electing to farmout, and (2) Parties electing to accept farmins.

(3) Hudson & Hudson have agreed to carry the 12-acre interest of Unger in each well until payout, and the original acreage position has so been adjusted.

(4) Assuming conversion of overriding royalties to working interests.

(5) Superior interest is limited to depths below 4,000 feet.

A. C. Holder holds rights above 4,000 feet and if well is completed above 4,000 feet he will farmout to those parties who have previously elected to accept farmins, and this Exhibit will be revised accordingly.

IV. In the event any well hereunder is drilled to a depth below 4,000 feet and is non-productive, or if productive, at a later date ceases to produce, and a completion attempt is thereupon made at a depth above 4,000 feet, the costs of such completion attempt shall be borne solely by the parties holding the operating rights to the zone in which completion is attempted. If such completion results in production of oil and/or gas, such production shall be owned by the parties holding such operating rights to the producing zone. Provided that if any reclaimable casing, tubing, or other equipment is required for use in such shallow well, then the parties owning the production therefrom shall pay to the parties originally participating in the cost of such equipment a sum equal to the estimated salvage value thereof determined in accordance with Exhibit "C" after deducting therefrom the estimated cost of salvaging same, and such equipment shall thereafter be owned by the parties participating in such shallow production. If the completion attempt hereinabove mentioned does not result in the production of oil and/or gas, the well shall then be plugged and abandoned at the expense of the parties who originally participated in the drilling of the well to its total depth.

EXHIBIT B -- MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, T-19-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage		Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage	
				U.S.A. (12.5%)	All					

FEDERAL LAND

FROM SURFACE TO 4,000 FEET									
1	Sec. 29: W/2 SW/4, SW/4 NW/4	120	NM-073240 HBP	U.S.A. (12.5%)	All	Aminoil U.S.A., Inc. - 50%	Paul F. Kasper, Jr. - 1/2 of 1%*		Aminoil U.S.A., Inc. - 50%
						Wm. G. Ross - 25%	Vee Kay Ross - 1/2 of 1%*		Wm. G. Ross - 25%
						The Superior Oil Company - 25%	R.M. Young, Jr., and wife, Adele J. Young - 1/4 of 1%**		A. C. Holder - 25%
							Monument Energy Corporation - 1.25%**		
						BELOW 4,000 FEET			
						Aminoil U.S.A., Inc. - 50%	Paul F. Kasper, Jr. - 1/2 of 1%***		Aminoil U.S.A., Inc. - 50%
						Wm. G. Ross - 25%	Vee Kay Ross - 1/2 of 1%***		Wm. G. Ross - 25%
						The Superior Oil Company - 25%	R.M. Young, Jr., and wife, Adele J. Young - 1/4 of 1%****		The Superior Oil Company - 25%
							Monument Energy Corporation - 3/4 of 1%****		

\* - 1% ORR Burden is out of the respective Working Interests of Aminoil (1/2), Wm. G. Ross (1/4), and A. C. Holder (1/4).

\*\* - These ORR Burdens are out of the Working Interest of A. C. Holder (1/4).

\*\*\* - 1% ORR Burden is out of the respective Working Interest of Aminoil (1/2), Wm. G. Ross (1/4), and The Superior Oil Company (1/4).

\*\*\*\* - These ORR Burdens are out of the Working Interest of The Superior Oil Company.



EXHIBIT B -- MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, T-19-S, R-33-E

Act No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage		Lessee of Record	Overriding Royalty and Percentage		Working Interest and Percentage	
				U.S.A. (12.5%)	All	William A. Hudson - 50%	FROM SURFACE TO BASE OF THE OKAYBORG FORMATION Virginia Lee Saunders - 5/8 of 2%		William A. Hudson - 42.5%	
	Sec. 20: W/2 SW/4, SE/4 SW/4	120	NM-077004 HBP				Mary Lee Saunders Woodland - 3/16 of 2%		Estate of Edward R. Hudson, Dec'd. - 42.5%	
							Woodlan Perry Saunders - - 3/16 of 2%		B. D. Moore, Jr., and wife, Eleanor Moore - 2.280%	
							Robert S. Light and JoAnna W. Light, d/b/a "The Light Company" - 83/184 of 1%		David W. Moore and wife, Mary Lee Moore - 2.280%	
							Elizabeth W. Mendez - 47/184 of 1%		Kenneth R. Shelton, Independent Exec- utor U/W Frances Moore Shelton, Deceased - 2.280%	
							J. Ray Hobbs - 2/184 of 1%		Carol Pauls Moore - .750%	
							Donald L. Killgore - 2/184 of 1%		J. Knox Moore, Jr., a/k/a John Knox Hutchings Moore, Jr. - .766%	
							Carlsbad National Bank, Trustee for Bradley T. Light, Robert M. Light, Stanley W. Light, Neil T. Christensen, Thayer P. Christensen - 50/184 of 1%		Donald B. Moore - .766%	
							Mary Leslie Unger - 1/32 of 8.45%*			
							Eric Earl Unger - 1/32 of 8.45%*			

\* 1/16 of 8.45% ORR Burden is out of the Working Interest of William A. Hudson (42.5%), and Estate of Edward R. Hudson, Deceased - 42.5%.

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and		Lessee of	Overriding Royalty and		Working Interest and Percentage
				Ownership	Percentage		Percentage	Percentage	

2 (continued)

Anita G. Moore, Independent Exec- utrix U/W Charles H. Moore, Deceased - 2.280%	Frances B. Moore Grandchildren's Trust - .686%	Frances B. Moore Grandchildren's Agency - 2.057%	Anita Moore Doyle - .171%	Kilburn G. Moore and wife, Anita G. Moore - .171%	Bartlett G. Moore - .171%	Charles H. Moore, III - .171%	Paul C. Moore, a/k/a Paul Cooke Moore - .171%
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BELOW THE BASE OF THE GRAYBURG FORMATION

Virginia Lee Saunders - 5/8 of 2%	William A. Hudson - 37.5%
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EXHIBIT B -- MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, T-19-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interests and Percentage
2	(continued)						<p>Frances B. Moore Grandchildren's Agency - 2.057%</p> <p>Anita Moore Doyle - .171%</p> <p>Kilburn G. Moore and wife, Anita G. Moore - .171%</p> <p>Bartlett G. Moore - .171%</p> <p>Charles H. Moore, III - .171%</p> <p>Paul C. Moore, a/k/a Paul Cooke Moore - .171%</p> <p>E. E. Unger - 10%*</p>
3	Sec. 33: NE/4	160	NM-9562 6/30/79	U.S.A. (12.5%)	All Gulf Oil Corporation	The Hill Foundation - 5%	Gulf Oil Corpora- tion - All
4	Sec. 33: N/2 NW/4	80	NM-10780 4/30/80	U.S.A. (12.5%)	J. M. Huber Corporation	William L. O'Brien and wife, Margaret L. O'Brien - 1%	J. M. Huber Corporation - All
						Central Southwest Oil Corporation Pension Trust - 1.2242%	
						Sunshine Company - .3750%	
						Robert N. Enfield and wife, Mona L. Enfield - .1875%	
						Bryan Bell - .1875%	

\* 10% Interest of E. E. Unger is subject to Farnout Agreement between E. E. Unger and Edward R. Hudson, Jr., and William A. Hudson, II, Trustees U/W of Edward R. Hudson, Deceased.

## EXHIBIT B -- MADURO UNIT AREA, LEA COUNTY, NEW MEXICO, T-19-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage		Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
				U.S.A. (12.5%)	All			
4 (continued)								
5	Sec. 29: NE/4, N/2 NW/4, SE/4 NW/4, NE/4 SW/4, N/2 SE/4	400	NM-14794 2/28/82	U.S.A. (12.5%)	All	Gulf Oil Corporation	Board of Regents of New Mexico Military Institute - .00387%  Board of Regents of University of New Mexico - .02064%  Conquistador Council of Boy Scouts of America Trust Fund - .00129%  Featherstone Development Corporation - 3.25%*	Gulf Oil Corporation - All
6	Sec. 28: S/2	320	NM-15918 6/30/82	U.S.A. (12.5%)	All	Continental Oil Company	Arthur E. Meinhart and wife, Marilyn Meinhart - 5%	Continental Oil Company - All
7	Sec. 21: S/2 Sec. 28: N/2	640	NM-27570 5/31/79	U.S.A. (12.5%)	All	Union Oil Company of California	Ben Comroe and wife, Eleanor W. Comroe - 4% Doreen Smith - 1%	Union Oil Company of California - All
8	Sec. 29: S/2 SE/4, SE/4 SW/4	120	NM-29702 2/28/82	U.S.A. (Schedule B)	All	Union Oil Company of California	None	Union Oil Company of California - All
9	Sec. 20: SE/4, NE/4 SW/4	200	NM-32591 3/31/88	U.S.A. (12.5%)	All	Union Oil Company of California	Evelyn R. Joeckel and husband, Raymond N. Joeckel - 6.25%	Union Oil Company of California - All

\*Production Payment of \$500.00 per acre out of 3.25% ORRI.

9 FEDERAL TRACTS - 2,160.00 ACRES, OR 84.375% OF UNIT AREA.

EXHIBIT B --- MADURO UNIT AREA, IEA COUNTY, NEW MEXICO, T-19-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage		Lessee of Record		Overriding Royalty and Percentage		Working Interest and Percentage	
				State of New Mexico (12.5%)	All	Union Oil Company of California		Roy G. Barton, Jr., and wife, Norma J. Barton - 5%		Union Oil Company of California - All	

NEW MEXICO STATE LAND

10	Sec. 32: NE/4	160	L-4397-1 4/21/80	State of New Mexico (12.5%)	All	Union Oil Company of California		Roy G. Barton, Jr., and wife, Norma J. Barton - 5%		Union Oil Company of California - All	
11	Sec. 33: S/2 NW/4	80	LG-3173 11/1/85	State of New Mexico (12.5%)	All	Union Oil Company of California		None		Union Oil Company of California - All	
12	Sec. 32: NW/4	160	LG-3230 12/1/85	State of New Mexico (12.5%)	All	Northern Natural Gas Company		None		Northern Natural Gas Company - All	

3 NEW MEXICO STATE TRACTS - 400.00 ACRES, OR 15.625% OF UNIT AREA.

TOTAL: 12 TRACTS - 2,560.00 ACRES IN ENTIRE UNIT AREA.

## EXHIBIT " C "

Attached to and made a part of Operating Agreement dated the  
20th day of March 1979 between UNION OIL COMPANY OF CALIFORNIA,  
as "Operator", ET AL.

## 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. (.) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
  - (1) Salaries of First Level Supervisors in the field.
  - (1) 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 Petroleum Accountants Societies of North America.

### 4. Material

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:

( ☒ ) 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 (     ) 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 \$ 2852  
Producing Well Rate \$ 311

- (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.

## 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 \$ 25,000.00—:

A. 5 % of total costs if such costs are more than \$ 25,000.00— but less than \$ 100,000.00—; plus

B. 3 % of total costs in excess of \$ 100,000.00— 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.

THERE IS NO EXHIBIT 'D'.

EXHIBIT "E"

GAS STORAGE AND BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right, subject to existing contracts, to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, the terms of this agreement shall automatically become effective.

During the period or periods when any party hereto has no market or fails to take its share of gas produced from any proration unit within the Unit Area, or its purchaser does not take its full share of gas produced from such proration unit, the other parties shall be entitled to produce each month one hundred percent (100%) of the allowable gas production assigned to such proration unit by the state regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only, of total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in storage less such party's share of gas used in operations, vented or lost. In addition to such share, each party, including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying fifty percent (50%) of the interest in the current gas production of the party or parties without gas in storage by a fraction, the numerator of which is the interest in the proration unit of such party with gas in storage and the denominator of which is the total percentage interest in such proration unit of all parties with gas in storage currently taking or delivering to a purchaser.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser.

Should production of gas from a proration unit be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the overproduction which said overproduced party received, less applicable taxes theretofore paid, at the applicable price defined below for the latest delivery of a volume of gas equal to that for which settlement is made. For gas sold in intrastate commerce, the price basis shall be the price received for sale of the gas. For gas sold in interstate commerce, the price basis shall be the rate collected, from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission pursuant to final order or settlement applicable to the gas sold from such well, plus any additional collected amount which is not ultimately required by said Commission to be refunded, such additional collected amount to be accounted for at such time as final determination is made with respect thereto.

Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

This agreement shall constitute a separate agreement as to each proration unit within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

EXHIBIT "F"

Attached to and made a part of Operating Agreement dated as of March 20, 1979, between UNION OIL COMPANY OF CALIFORNIA, as "Operator", et al.

EQUAL EMPLOYMENT OPPORTUNITY AND  
NON-DISCRIMINATION SUPPLEMENT

Unit Operator shall comply where applicable with the following clauses contained in 41 CFR:

- 60-1.4(a) (Equal Employment Opportunity);
- 1-12.803-10 (certification of non-segregated facilities);
- 60-250 (employment opportunity for veterans);
- 60-741 (employment opportunities for handicapped individuals);
- 1-1.710 (subcontracting with small business concerns);
- 1-1.805 (subcontracting with labor surplus area concerns);
- 1-1.1310 (subcontracting with minority business enterprises); and
- 1-1.2302-2 (environmental protection).

These clauses are incorporated herein by reference if and to the extent applicable to this agreement by law, executive order, or regulation. Unit Operator represents that it is in compliance with the reporting requirements of 41 CFR 60-1.7 and the Affirmative Action Program requirements of 41 CFR 60-1.40 and 60-2.

## EXHIBIT "G"

Attached to and made a part of Operating Agreement dated as of March 20, 1979, between UNION OIL COMPANY OF CALIFORNIA, as "Operator", et al.

### INSURANCE

Operator shall carry or provide the following insurance with respect to operations on all lands subject to this Agreement:

- (a) Workmen's Compensation Insurance, including Employer's Liability, as required by law.
- (b) Automobile Public Liability and Property Damage Insurance with minimum limits of \$100,000 bodily injury or death per person, with \$300,000 bodily injury or death each accident, and \$100,000 property damage each accident.
- (c) 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 premiums for Automobile Public Liability and Property Damage Insurance on 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. Operator shall not be required to carry any other insurance for the Joint Account of the parties hereto. Any party may, at its own expense, acquire such insurance as it deems proper to protect itself against any claims, losses, damages, or destruction resulting from Unit operations.

Operator shall require all contractors engaged in work in or on the Unit Area to carry insurance for the benefit and protection of the Working Interest Owners consistent with Operator's minimum requirements.